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The Hidden Politics of Administrative Reform: Cutting French Civil Service Wages with a Low-Profile Instrument

PHILIPPE BEZES*

The article addresses internal and hidden politics of changes in bureaucracies by focusing on the introduction and use of policy instruments as institutional change without radical or explicit shifts in administrative systems. Beneath public administrative reforms, it examines the use of "low-profile instruments" characterized by their technical and goal-oriented dimension but also by their low visibility to external actors due to the high complexity of their commensurating purpose and the automaticity of their use. The core case study of the paper offers a historical sociology of a technique for calculating the growth of the French civil service wage bill from the mid-1960s to the 2000s. The origins, uses, and institutionalisation of this method in the French context are explored to emphasize the important way of governing the bureaucracy at times of crisis through automatic, unobtrusive, incremental, and low-profile mechanisms. While insisting on the salience of techniques for calculating, measuring, classifying, and indexing in the contemporary art of government, it also suggests the need for observing and explaining "everyday forms of retrenchment" in bureaucracies.

A classic primary approach to the study of administrative reforms consists of looking at the historical and collective processes of agenda setting, negotiation, and institutionalization of constituent public policies. Most studies in public administration have favored the analysis of public management reforms (e.g., Christensen and Lægreid 2002; Olsen and Peters 1996; Pollitt and Bouckaert 2000), that is, of *active* and *public* policy changes in bureaucracies (for the French case, Bezes 2002). These dominant approaches have focused on administrative reform decisions that claim to transform the formal structures and rules of administrative systems and have mostly looked at what reformers have set up in terms of explicit programs. However heuristic this method may be, it nevertheless does not exhaust thinking on the various institutional changes that have affected bureaucracies for four decades. Although often considering the

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scope and limits of administrative reform policies, these perspectives have downplayed other strategies through which governmental actors did not build comprehensive reform plans but still tried to regulate the administrative system and change it by other means. As illustrated in much of the neoinstitutionalist literature on welfare state reforms and retrenchment policies, notions such as path-dependence, drifts, conversion, or layering are now beginning to offer a wide range of nuanced mechanisms for the examination of how institutions are reproduced and changed at ground level by following diverse, complex roads (Hacker 2005; Pierson 1994; Thelen 2003).

This article addresses those internal changes in bureaucracies and focuses on the introduction and use of policy instruments as institutional change without radical or explicit shifts in the administrative system. Indeed, the tactics of government often rely on instruments—that is, on the use of limited, goal-oriented, and highly technical devices that have important policy and institutional consequences but are not widely publicized, allowing institutional arrangements to remain apparently unchanged. Complex administrative issues such as devolution, budgetary reform, personnel policy, or cutbacks in staff or in civil service wages often rely on diverse technical decisions and tools. Beneath explicit administrative reforms, studying the everyday forms of "governing the bureaucracy" basically involves looking at concrete devices that aim to collect large amounts of information, to measure (people, credits, expenditure, or even performance) and then to set up categories to organize administrative activities and distribute power, responsibilities, and money. This broad technical field of "instruments to regulate bureaucracy" (frames, rates, ratios, indicators, cells, etc.) merits some interest because of the cognitive and political stakes involved and because instruments constitute an important mode of power.

In this article, I address a very specific kind of policy instrument, which I label "low-profile instruments," and which, in addition to being a technical, goal-oriented method, characteristically have a discreet dimension, so that their visibility to external actors is low, as a result of their highly complex measurement purposes and automatic use. These two properties make low-profile instruments costly to understand and to manipulate. They also create strong asymmetries between the top bureaucrats who develop them as part of their own expertise and the other actors who suffer from their implementation. We may observe their use in three different kinds of situations: (1) when the issues at stake remain highly ambiguous or conflictual because of uncertain knowledge about what to do (here, low-profile instruments are used to provide new strategic information and to rationalize a process); (2) when the political context does not facilitate structural administrative reform because of high political costs (the use of low-profile instruments here will technicalize and depoliticize an issue); (3) when the strongly embedded nature of administrative structures makes them highly resistant to change (low-profile

instruments are used as a policy alternative, to foster new policy aims by introducing new methods).

The core case study of this article offers, by way of example, a historical sociology of a technique used to calculate the French civil service wage bill since the mid-1960s: the RMS (*raisonnement en masse salariale*). I focus on the origins, uses, and institutionalization of this method, which measures growth in civil service wages using a calculation based on the overall wage bill. Of course, the budgetary issues linked to payment of wages in the French civil service have always been highly significant. Because of the large number of state employees (2,500,000 in the state civil service in 1981 and 2,270,000 in 2002), wages form a very major part of the state's budget: wages and pensions represented about 35.9% of the state budget in 1975 and an estimated 40.7% in 2002. These outlays play a strategic role in two different mechanisms, so measuring and controlling them represent high stakes. First, the civil service has long served as a reference point in determining wage rises in public enterprises and in the private sector. Curbing wage rises in the civil service was therefore crucial in achieving the deflationary objectives of post-1975 governments. Second, the internal structural arrangements of the French civil service (a system organized around the *corps*—about 1,700 groupings of officials with the same conditions of service, each of which has its own particular methods of internal management and promotion—and the principle of separation between rank and job) have, historically, promoted inflationary mechanisms because of the wage comparisons and adjustments practiced between the *corps* and categories of personnel. Thus, since the mid-1960s—but more intensively since the 1982 crisis—governments have all wanted to take action on wage expenditure in the civil service, while simultaneously seeking to limit the negative effects of unpopular cuts for a large number of public employees, who were also voters.

In successive sections, the article examines the different uses of this instrument in four configurations in order to highlight complementary dimensions of low-profile instruments as they apply to administrative states. Invented during the 1960s, in a Keynesian context, as an instrument for providing an objective consensual tool for wage negotiations with public sector unions, in the 1970s the RMS was transformed into a low-profile instrument at the service of the Budget Directorate. This culminated in its role in repeated attempts to monitor and reduce civil service wages expenditure in the context of the French policy of economic stringency from 1982 to 1988. Although strongly questioned during the 1990s for its limitations or its negative side effects on the French Civil Service, the RMS is still used as an instrument today, but has been supplemented by other initiatives. It was also to some extent reborn in the context of the Institutional Act on Finance Legislation, adopted on August 1, 2001, which institutionalized the use of the global wage bill method for measuring, calculating, and fixing salaries for public sector managers. In the final section of the article, I will address three questions

through consideration of the empirical case. First, the design of a highly technical instrument can be seen as related to the concern to provide new expert knowledge about public sector salaries; the importance of this concrete dimension of administrative changes will be discussed. Second, I will argue that measurement of civil service wages is not merely a knowledge-oriented issue. Both senior bureaucrats and politicians have decided to use it as a low-profile means of reducing public expenditure. I will examine the importance of this politicized use of an instrument in the process of government, where policy makers value the benefits of relying on invisible devices in making unpopular decisions on cuts. Third, this case study allows us to gain a more general understanding of retrenchment policy on bureaucracies in instances, such as in France, where initiatives have not primarily radically targeted drastic reforms at the explicit rules of the administrative system. This work forms part of a research agenda with stronger interests in complex paths of institutional transformation than are usually recognized in studies of change in public administration.

The Keynesian Context: Inventing an Instrument to Calculate the French Civil Service Wage Bill

Investigation of State Wages Is Brought into Focus

The investigation of civil service wages in the 1960s does not emerge as an obvious and immediately legitimate focus for questioning. In fact, it resulted from three simultaneous dynamics, through which administration and the wages of state employees became, in a gradual and fragmented way, the object of investigations and debates.

As debates about the rationality of the state's administrative apparatus proliferated, reflexive questioning on the "cost" of the civil service became an intrinsic part of the general context of the 1960s (Bezes 2003). The signing of the Treaty of Rome in 1957, the opening up of the French economy to international competition, and the intensified development of the national welfare state via the extension of economic planning from the 4th Plan (1962–1965) onward all promoted an increasing number of questions about the optimal, rational nature of state interventions and investments. In this context, three intraministerial centralist institutions—namely, the *Commissariat général au plan* (the National Planning Commission), the *Service d'études économiques et financières* (SEEF—the Economic and Financial Studies Service), which took over forecasting in 1965, and the Budget Directorate—sought knowledge and instruments likely to help them better evaluate and monitor changes in the administrative state. Both the use of macroeconomic modeling instruments and the concern to rationalize public choices and administrative functioning through the development of microeconomic (cost–benefit) techniques formed an integral part of this context.[1]

The particular attention given to public sector wages in terms of "overall cost" then resulted in more specific questions, which in turn led to wages and wage movements becoming an object of investigation and a regulatory issue. In 1961–1962, the Budget Directorate (and, indirectly, the Civil Service Ministry) observed inflationary cascade effects on the indexed and statutory wage structure of the French civil service. In particular, in that year, following indexing modifications for teaching personnel, a large number of other categories of staff, whose conditions were in line with theirs, obtained upratings of their salary scales after claiming for equal treatment. This general increase led to the perception of anomalies in the growth in wages in the early 1960s, between the indexed increase and the real amount of growth in wages expenditure, as noted by the Budget Directorate. The general annual increases granted were lower than the variations in the overall wages bill—that is, in the amount of wages actually paid. From this period onward, therefore, the Budget Directorate began to seek instruments that would allow it to refine its methods of calculating civil service wage increases and to retain, however precariously, control of the game.

Finally, interest in the issue of civil service wages also stemmed from debates in the first half of the 1960s about the creation of a Keynesian-inspired incomes policy, in French society generally and—though here more restrained—in the public sector. In the context of debates about the 4th Plan (1962–1965), two institutions were lobbying at the same time, but for different reasons, for a national incomes policy (Boissonnat 1966; Hayward 1966). The *Conseil économique et social* (Economic and Social Council), on the one hand, echoed the interest groups represented within it (farmers and wage earners) in defending the idea of an income redistribution policy intended to combat inequalities within the French population. The *Commissariat général au Plan*, on the other hand, was arguing in the same direction because it wanted to develop a social incomes policy within the perspective of the 5th Plan, with two objectives in mind. A social incomes policy would first be intended to moderate wage inflation and make it more predictable, by establishing mechanisms to track changes in wage structures. It would also aim to redress income disparities, notably in favor of disadvantaged groups (old people, families with a lot of children, minimum wage earners, agricultural workers, repatriated people, etc.). Several initiatives (creation of a Statistics and Incomes Group, Conference on Incomes Policy, many reports) provide evidence that this topic was on the government's agenda in the early 1960s. Although it went on to fail (Hayward 1966), the creation of this public policy on incomes in the mid-1960s was closely linked to the economic planning ideal and to the Keynesian economic framework.

In this context, one of the major stakes in making wage discussions credible was to perfect instruments to enable the planning and tracking of "growth in the wages bill, broken down into its main elements: growth in the number of wage-earners, changes in working hours, movements in

wages owing to continuing improvements in qualifications, movement in the organizational hierarchy" (Gruson 1964, 556)—in other words, to ensure the most precise possible tracking of wage developments in French society. The debates related especially to the inflationary effects of wage increases, likely to occur in three distinct areas: the civil service proper, public enterprises, and private enterprises. The stakes were raised in particular by advances in public sector pay following a coalminers' strike in the nationalized sector in March 1963. These conflicts to some extent refocused thinking on the case of the public sector. In October 1963, in reaction to the coal dispute, Jean Toutée, Councilor of State and Chairman of the Finance Section of the Council of State, was asked by Prime Minister George Pompidou to produce a report on restoring dialogue between the public sector trade unions and government, and, more specifically, on public sector wage negotiation procedures (Task Force on the Improvement of Public Sector Wages Discussion Procedures, the Toutée Report 1964).[2] This was the institutional framework in which questions were raised, in relation to public enterprises, not only about the forms taken by negotiations between trade unions and government, but also about the content of discussions and what was at stake in them (Salon 1993, 417–418). In order to negotiate, it was necessary to be able to determine precisely the amounts of wages paid (i.e., of the total wages bill) and the degree of interdependence between the public sector and the civil service, as well as any knock-on effects.

The Invention of the RMS: Genesis of a Learning Instrument

In fact, the Toutée Task Force (in which the chairman was joined by two other members of the Council of State) proposed recommendations in three essential areas. First, the task force advocated a rationalization of the wage-negotiation procedure in public enterprises. Second, enterprises were invited to develop forms of short-term or "progress contracts" with trade unions, guaranteeing wage commitments over a given period in exchange for a nonstrike agreement. Third, and above all, the Toutée Task Force stressed the need to stabilize negotiations on the basis of statistical wages data, which should be precise, reliable, and accepted by all. One section of the report was devoted to "wage studies" and to the crucial issue of the credibility of calculations (Task Force on the Improvement of Public Sector Wages Discussion Procedures, the Toutée Report 1964, 7). The aim was to establish less questionable bases for wage negotiation through the creation of a new technical instrument for measuring wage outlays in public enterprises—one which would enable the whole "wage bill" to be taken into account. The task force thus revisited the old, formal way of looking at "wages": instead of looking at just basic pay and general increases, it proposed adding the different category increases peculiar to a *corps* or a group within the enterprise (creation or increase of allowances, reclassification of some categories, improvements in con-

ditions for promotion, changes in the qualifications for some jobs) that increase the overall wages bill. It also suggested adding the "automatic" wage increases linked to career advancement through length of service and changes in the technical expertise needed for jobs. As public-sector employees advance in their careers through length of service, their pay increases automatically, without any decision to increase wages being taken. To assess the wage bill exactly from one year to the next also supposes that two comparable things are being compared; therefore, it is necessary to determine the wage bill on the basis of unchanged seniority and technical expertise as well as according to the number of permanent staff, taking into account the impact on wages of retirement quits (of those on high wages) and of hiring new employees (on low wages at the bottom of the scale).

Thus, the Toutée Report was characterized by the first fairly systematic formalization of the various components of the "total wage bill" into what is known as the RMS, which came to substitute for a calculation based on level or year-on-year figures. The cognitive instrument "RMS" was invented and designed to alter the terms of wage negotiations between the state and representatives of public sector employees. From May/June 1964, the prime minister's advisers, including representatives of public sector management and senior civil servants from the ministries of Finance, Public Works, Industry, and the Civil Service, met to tackle the issue of how to transpose the measures envisaged into the context of the civil service (Salon 1993, 419).

A New Instrument with a New Conception of Civil Service Wages Policy?

Several factors show that this was indeed a new way of calculating—a new way of thinking about administration, with a critical perspective on the civil service. First, taking into account three components to measure the overall annual civil service wage bill (general increases, category increases, and the effects of automatic growth of the wage bill by taking into account promotion by seniority and changes in technical expertise requirements[3]) represented a total challenge to the previous method of calculating personnel expenditure, which was based on the *level* of pay, looking only at official index and wage increases—the general increases—at a given time, t. Second, the RMS completely altered the philosophy behind the measurement of wage growth in the French civil service. Specifically, it considerably reduced the part played by general increases. Category increases, variations in workforce numbers (the creation of new jobs), pay raises according to length of service (the wage bill increases as the workforce ages), or hiring or promoting more skilled workers (the wage bill increases if more highly qualified, and therefore more highly paid, people are recruited) automatically increase the overall wage bill. These components are viewed as benefits "really" granted to the staff;

therefore the RMS method takes the view that automatic increases in the wage bill should be added to any raises granted by government. This new instrument therefore devalued and delegitimized the importance of general wage negotiations between the state and the civil service trade unions. Lastly, the findings of the Toutée Report, like those of the 1963 Massé Report (Massé, Bloch-Lainé, and Masselin 1963) and the Incomes Policy Conference, pointed out the dangers of the knock-on effects between wage increases in the civil service, the public sector, and the private sector in the context of the early stages of a counterinflationary policy. The issue of "parity" between sectors became a major preoccupation because there was a risk of causing inflationary adjustments. This was a challenge to the basic mechanism of double indexation, a union-sponsored clause in the Law of 3 April 1955, which "invited" the government to ensure harmonization and adjustment of status and pay between the state civil service and public enterprises in the nationalized sector (where pay was itself indexed to prices). This link between nationalized industries and the civil service proper created a dependence that tied the hands of government and favored the arguments and claims of the civil service trade unions. In 1963, in the context of the overheating economy of the early 1960s, this linkage was viewed as a problem by the Pompidou government, although it could not really be challenged then because the measure was unpopular (Hayward 1966).

In the mid-1960s, these new recommendations for calculating the wage bill were as yet only proposals. In September 1964, Prime Minister Pompidou tried to use the Toutée procedures in public enterprises and to extend them to civil service negotiations, on the advice of the Budget Directorate, but he immediately encountered the hostility of the trade unions, culminating in a general strike in December 1964. The major issues at stake were to acquire objective knowledge—to show the scientific, useful nature of calculations based on the wage bill—and to establish its credibility. This meant establishing the legitimacy of an instrument initially thought of as a learning instrument, supposed to be able to reveal the *truth* about wages in the state civil service and the public sector.

However, the RMS also represented a shift in the significance of wages control that was not free of ambiguity. The initial orientation was Keynesian: through its idea of an "incomes policy" and its aim of forecasting and being able to calculate the wage behavior of the agent "state," it reaffirmed the Keynesian ideal of overall, interdependent economic approaches in the context of extending economic planning and macroeconomic perspectives. The RMS was designed as the instrument of a policy of consultation between government and trade unions, linked to economic planning and intended to "frame" and reduce inflationary logics while defending the idea of the autonomy of public enterprises.[4] However, calculating the wage bill in this way was also a microeconomic exercise, perceived by some as an amendment to Keynesianism but by others as evidence of the emergence of another economic—neoclassical

or neoliberal—paradigm within a Keynesian framework. This suggests the idea that a Keynesian macroeconomy and a liberal microeconomy coexisted during the 1960s (Favereau 1982). From the 1960s onward, administrative and political elites started to consider that the contemporary exercise of state government should now involve the implementation of an *economy* within its civil service—that is, a scientific approach to knowledge about numbers, costs, and growth of the administrative workforce.

Throughout the 1960s, the development of the RMS was therefore structured by three distinct and contradictory objectives: it was an invented learning instrument, intended to assess precisely a previously uncertain aggregate (the pay of public employees); yet it was also envisaged as an instrument of embryonic free-market policy because it was linked to anti-inflationary objectives by its function in moderating public sector pay rises; finally, it was an instrument of social dialogue because it was supposed to provide credibility and statistical bases for procedures of consultation and negotiation between government and trade unions. Although it was already beginning to be mobilized by the public authorities to evaluate wage growth (and particularly by the Budget Directorate for the civil service) and to assess developments, it was not used in negotiations and was clearly rejected by trade-union actors.

From the Late 1960s to the Early 1980s: Learning Instrument Transformed into Low-Profile Wage Control Instrument

The changes made to the instrument and its uses from the late 1960s to the 1970s relate to the way in which the three objectives that initially defined it evolved. During the period 1966 to 1976, the significant factor was the repeated failure of numerous attempts to implement a true incomes policy. Although the function of the RMS as a learning instrument was never called into question, the contrasting failures of its other use—in the service of social dialogue—to some extent "forced it back" into the role of a discretionary, asymmetrical budgeting instrument, used only by the Budget Directorate. This appropriation by the Budget Directorate, in the context of the economic crisis of the 1970s, exacerbated conflicts with the civil service trade unions around the credibility of the RMS as instrument.

The Failures of Incomes Policy and Its Effects: The Changing Use of an Instrument

From the mid-1960s onward, incomes policy was contested and rejected by the public-sector trade unions. The economic recession in 1965, the maintenance of the Stabilization Plan, which constrained prices and wages, and increasing pay disparities all fed the hostility of trade unions, which saw incomes policy as an instrument of the "wages police." From

1966 to 1968, the civil service trade unions were no longer associated with a policy of social dialogue. The May–June 1968 negotiations, followed by the arrival in office of Prime Minister Jacques Chaban-Delmas in 1969, brought about a renewal of collective bargaining and incomes policy, but this did not last. A visible sign was the first wage agreement in the civil service, concluded in 1970 in the form of a "joint statement," that is, a text not formally signed by the parties. This inauguration of wage agreements between the state and the civil service trade unions led to a practice that still existed in 2004. This renewed relationship was, however, of little significance: in July 1972, the fall of Jacques Chaban-Delmas spelled the end for the policy of social dialogue in its institutional form.

With the failure of incomes policy, the RMS lost for good its initial "democratic" justification—that is, to be a credible learning instrument, accepted in negotiations. The failure of the public policy that had carried it forward reduced it to a mere method of calculation, facilitating the construction of economic and budgetary data and confined solely to use by the Budget Directorate. In the mid-1970s, the stated use of the RMS changed its meaning. Such calculations were established above all as a highly useful instrument for discovering the wage outlays of the state, at the discretion of the government and the Budget Directorate, which had been in command of creating them. In fact, these institutional actors fixed the terms of wage negotiations with the civil service trade unions; and the RMS, with its aura of statistics and its starting point in stating the "objective" amount of growth in the wage bill, enabled them to justify their choices. The RMS gradually became a strategic instrument for budgetary management of administration, at the discretion of the public authorities, which used it unilaterally. From the 1970s onward, the trade unions, placed in a dilemma, viewed it as illegitimate. They had to do their best to gain technical mastery of the pay calculations carried out, but at the same time they complained about an instrument whose use was not subject to any consultation. From this point of view, the economic crisis of the 1970s only accentuated the asymmetry and division between trade unions and public authorities.

The Economic Crisis of the 1970s: The RMS Becomes a Low-Profile Instrument at the Service of the Budget Directorate

In 1975, the appearance of a budget deficit for the consolidated accounts of the public administrations (state, social security, and local authorities), as well as for the state itself, represented a fundamental challenge to forms of public policy and to the beliefs attached to it. The economic policy put forward by Prime Minister Raymond Barre in September 1976 broke with Keynesianism and set monetarist-inspired objectives: an anti-inflation policy (which became a priority and the first stage in an antiunemployment strategy), decontrol of prices, a policy to promote the strong franc in the context of the European Monetary System (EMS), and restriction

in the growth of the money supply. With the new objectives of maintaining the balance of public accounts, state outlays constituted the object of numerous examinations, in which spending on staff (wages and pensions) was an essential element. The fact that these outlays represented a high and growing share of the state budget was denounced, as was the fact that they could not be easily reduced. From 1972 onward, they grew constantly, from 34.4% of the state budget to 38.9% in 1976.[5] From 1976, wages expenditure became an object of budgetary intervention for the Budget Directorate.

Thus, the economic crisis of the 1970s made the RMS a central instrument in any budgetary action on administration. There were two major reasons for intensification of its use. The first was that this form of calculation lay at the heart of the Barre government's objectives. From 1976, the government's strategy was to moderate wage increases with the help of a policy known as "gradualism," intended to gradually diminish inflationary trends. It was based on decremental rates of price and wage increases, and was applied particularly to the civil service. The government's stated objective was to restrict the degree to which purchasing power for public employees would be maintained through the guarantee of the state's wage bill growing at the same rate as the gross domestic product (GDP). Publicly acknowledged reference figures (prices, GDP, wages) thus became significant stakes in the game, and were often "massaged" downward by government in order to minimize rising claims, even if this meant later facing demands for readjustment. In this context, fixing the rate of public-sector wage increases and, more specifically still, fixing the annual increase in the wage bill, were crucial issues in financial management of the French economy. From 1978 to 1981, the budget director placed preventing unexpected excess and moderating wages in the civil service at the heart of his objectives, because of the driver effects this would have on the private sector. The second reason that led to more intensive use of the RMS relates to the political situation of the Barre government. From 1976 to 1981, its actions were politically constrained, notably in its interventions in administration. The electoral context was not very favorable to radical public policies. The meager partisan resources of President Valery Giscard d'Estaing's party, the *Républicains Indépendants*, the demanding conditions of political competition after 1974 (numerous elections: district in 1976; municipal in 1977, largely won by the Left; a general election in 1978; European elections in 1979) and internal divisions in the right-wing majority (particularly in parliament, where they were deepened by the creation of a new Gaullist party, the *Rassemblement pour la République*) led to the prevalence of consensual measures from 1977 to 1981 and to the avoidance of any measures that would clearly bring the majority camps into conflict. Significantly, from 1976, economic policies (the *Plans Barre*) remained moderate in their monetary objectives (Cohen, Galbraith, and Zysman 1982).[6] In this configuration, the political actors did not seek to propose structural reforms in admin-

istration or to publicize a restrictive policy toward civil servants. On the contrary, they wanted to minimize the visibility of cuts in the wages of state employees (Pierson 1994) in order to develop a blame-avoidance strategy (Weaver 1986).

In this context, the RMS represented an ideal low-profile instrument for use in budgetary control of staffing costs. It offered privileged information for calculating growth in the annual amount of state wages expenditure and allowed influence over the content of wage negotiations with the civil service trade unions. In wage negotiations, the Budget Directorate relied on the technical nature and complexity of the instrument to claim that the figures it provided were objective and to impose them on the other actors. The method of calculation—complicated, much debated, and fully perfected in the 1970s, favored the development of the tactics of obfuscation described by Paul Pierson (Pierson 1994): they made it difficult to calculate the amount to be negotiated and enabled the imposition of losses on one social group (civil servants) at minimal political cost. In the internal work of the Budget Directorate,[7] the overall rate of annual increase in the wage bill was calculated using the RMS and broken down into its different variables. The proportions attributable to category increases, career advancement, entries and exits, and increasing technical expertise were calculated by applying the RMS within the restricted framework of the Budget Directorate, and then used to offer the trade unions a limited increase in the value of the civil service salary point during annual civil-service negotiations. In addition, while identifying and seeking to measure the various components of wages bill growth, the Budget Directorate actually slightly uprated the proportion of these increases attributed to category increases and to automatic increases linked to length of service, reskilling, and staff movements. Thus, these calculations constantly made the influence of general increases somewhat more relative, even though they were the only component officially negotiated during annual meetings between the state and the civil service trade unions. The use of the RMS equation—"PI = WBI = GI + CI + GVT"[8]—held full sway at the Budget Directorate, where it gradually acquired the credibility of a strategic tool for calculations intended to realize new objectives. This analysis of successive wage negotiations over the period clearly demonstrates that civil servants' purchasing power increased much less after 1976 (3.8% in 1977 as against 6.4% in 1976), to the point where the 1981 increase was just 1.3%.

Ideally, the Budget Directorate would have liked the trade unions to accept the RMS. It would then have been able to base wage discussions, from the outset, on objective figures that were necessarily more restrained than traditional trade union claims for adjustments in line with inflation through uprating of the civil service salary point. By the mid-1970s, however, the low-profile use of the RMS was already structuring strong conflict between the Budget Directorate and the civil service unions.

The Public Illegitimacy of a Low-Profile Instrument: The 1977 Conflict Finds the Budget Directorate and the Civil Service Trade Unions in Opposition

The year 1977 offers a good illustration of the conflict that brought trade unions and government into opposition over civil service wages (Branciard 1995). In 1977, the government—especially the Ministry for Economic Affairs and Finance and the Budget Directorate—wanted to transform the public terms of wage negotiations by imposing the RMS as the basis for the calculations used in discussions. They wanted the unions to agree publicly that they would formulate claims for general increases on the basis of wage bill calculations (and no longer on the basis of year-on-year level).[9] In 1977, in a period of galloping inflation, the indexation of wages to prices was judged problematic because it was effectively a mechanism for maintaining inflationary pressure, in a French context where civil service negotiations acted as a reference point for pay raises in public enterprises and the private sector. A radical decision to deindex could have been a solution that might nullify the driver effects: this change had been under study by the Forecasting Directorate (*Direction de la prévision*), but even though its technical feasibility was accepted, it could not be envisaged economically or—above all—politically. The measure was judged too unpopular to be taken on by the Barre government. In the absence of deindexation, it was vital to control the negotiated amount of any salary upratings. On the advice of the Budget Directorate, the government therefore sought to alter the way increases were calculated by requiring the other side in the negotiations to use more precise figures, which better reflected the real amounts involved.[10] It was clearly a matter of imposing the RMS as an essential frameworking element of a civil service wage control policy.

This use of the instrument and the government's attempt to impose it as an official measure were immediately denounced by the trade unions, who refused to accord it any scientific, objective value. The protest led to a public conflict between government and unions, who broke off the negotiations for good in September 1977. There was no wage agreement in 1977, for the first and only time from 1972 to 1983 inclusive. Thus, the civil service trade unions, in a context of frameworked negotiation, exercised a power of challenge and from then on played the role of "veto actors" (Tsebelis 2002). In a sensitive economic and political context, civil service wage decisions were a crucial sign, given what was at stake financially and politically. At a time when political support within the majority could not be taken for granted, nonsignature of the 1977 wage agreement was a bad sign politically. For the 1978 negotiations, the government took a step back and officially readopted a formula using year-on-year level. The RMS remained the Budget Directorate's favored instrument of calculation, but it was not the agreed instrument for wage discussions.

Although the RMS had been invented to make it credible to establish a Keynesian incomes policy, the instrument was then strategically reappropriated in the second half of the 1970s, so that it appeared, *in fine*, as simply a low-profile instrument of the Budget Directorate. As such, it lost any legitimacy in its initial role as a learning instrument supposed to guarantee collective agreements on wages and make them credible. This is proved by multiple challenges from trade unions, which called into question the method of calculating the wage bill and also the INSEE [*Institut National de Statistiques et des Etudes Economiques*] prices index (Branciard 1995, 40). Above all, they provide evidence that the Budget Directorate, although it did not stop using calculations based on the wage bill, did not succeed in making the RMS a credible public instrument of negotiation. The low-profile, discretionary nature of the use of the RMS was sustained.

The pattern of events in the 1970s therefore ensured paradoxical success for the RMS. The informational advantage that it offered to the Budget Directorate highlights its transformation into a one-way instrument, while the complexity of its calculation method favored strategic manipulation. In this sense, the public administration personnel expenditure policy followed from 1974 to 1981 reflected this use, as well as structuring the Barre government's attempt to slow the increase in the public sector wage bill by limiting its growth to the rate of GDP and by strictly maintaining its purchasing power.

The Institutionalization of the RMS as a Low-Profile Spending Control Instrument

Stronger Interest in Controlling the Civil Service Wage Bill: Economic Dynamics but Political Constraints

After the first phase of economic revival led by the Socialist–Communist coalition government, the worsening public accounts situation from June 1982 to 1984 (increased budget expenditures, low growth in GDP, rise in public deficits, and in-state debt) led to an abrupt turn in economic policy (Cameron 1996; Fonteneau and Muet 1985). Following three successive devaluations (October 4, 1981, June 12, 1982, and March 21, 1983), the failure of Keynesian reflation was diagnosed. At the cost of arbitration between political and administrative élites, the government of Prime Minister Pierre Mauroy set in motion the turn to economic stringency. This led a certain number of actors (notably, members of the Treasury Directorate) to recommend the reversal of the policy mix: it was expressed in the abandonment of a large part of the measures set in motion in 1981 (the Keynesian-inspired reflationary policy) and in the appropriation of objectives close to those pursued by the Barre government—refusal to devalue, maintaining the strong franc, and countering inflation through economic stringency measures (reducing demand and public spending).

From now on, the battle against inflation and the policy of economic stringency were to go hand-in-hand. This change in the nature of economic policy made the policy of reducing public spending[11] and its translation into the state's personnel expenditure even more pressing.

In fact, the development of macroeconomic priorities lent strong legitimacy to measures to control and reduce the main budget items (running costs, staff, and wages). State personnel expenditure (pay—thus, both wages and staffing levels) represented a high proportion of the structure of the state budget—in 1983, 35.9% of state expenditure. In the early 1980s, its importance was even greater, because civil service wage increases still served as a reference point for general wages policy and had inflationary effects on public enterprises and the private sector. Indexation of the civil service salary point to growth in prices accentuated this effect. State personnel expenditure therefore became increasingly a target because mastering it was at the center of a dual logic: reducing state expenditure both to control deficits and to combat inflation. Action on state wages became unavoidable and legitimate. At the Budget Directorate, deindexing wages in order to break the inflationary wage–price spiral was a priority in the context of a crisis in public finances. Determining the wage increase to be negotiated with the civil service trade unions therefore acquired considerable importance, expressed by senior civil servants at the directorate in terms of a crusade.

However, renewed attention to state personnel expenditure at this period came up against a major stumbling block. The political commitments of May 1981 remained solid and could not be challenged abruptly because there was a Socialist–Communist coalition government. Similarly, from 1981 onward, public policies initiated in the sphere of administration had objectives that ran counter to the embryonic policy of economic stringency (decentralization, extending and rationalizing the Civil Service Act and Regulations, strengthening public sector employment). Budgetary policy therefore had to operate—along with others—in the context of a defined set of previous public interventions in the administrative sphere, which were far from convergent. Reflationary economic policy, initially adopted by the Mauroy government to combat unemployment, and civil service policy, spearheaded by the Communist Civil Service Minister, were both favorable to public sector employees and benefited from strong coalitions of support. From 1982 to 1984, reversing priorities favorable to public sector employees constituted a political dilemma. The Socialist Party, in particular, was faced with a dilemma: sacrifice the political identity it had gained from the 1981 presidential election, in order to form new support, or oppose the groups pleading from within its ranks for a more liberal policy to combat financial imbalances while favoring the middle classes electorally. In 1982–1983, and again in 1984, the Mauroy government and then the Fabius government could not radically claim the credit for a monetarist turn and publicly abandon their previous commitments. The frequency of elections (presi-

dential elections in May 1981 and 1988, a general election in March 1986, district elections in March 1982, and municipal ones in March 1983) lent a certain rhythm to the display of economic stringency measures. Therefore, this context validated budgetary strategies that allowed the reduction of state personnel expenditures and the limitation of increases in them, by minimizing political costs. The RMS, an instrument already under the mastery of the Budget Directorate and in use as a strategic calculation tool, then attracted renewed interest and acquired a usefulness and legitimacy that it did not have in the 1970s.

Mastery of the RMS by the Budget Directorate: Competence Validated

Failing broad political support, and in a context of redoubled crisis in 1982–1983, the Budget Directorate favored the instruments that it had available and knew how to manipulate for more long-term investments and strategies. In path-dependence terms, the view could be taken that the costs of investing in low-profile methods (and notably in research into calculating the wage bill) and the learning costs of the wage calculation instrument encouraged the Budget Directorate to pursue the strategy under way since the second half of the 1970s. We know that knowledge and know-how are acquired in the complex production processes by which an institution invests in "solutions," because they allow it to fulfill the objectives it is responsible for, as well as to respond to the "problems" and constraints it encounters. From 1982 and after the failure of structural reform, such as the *Rationalisation des choix budgétaires* in the 1970s, the Budget Directorate intensified the use of low-profile methods, which enabled budgetary savings to be made and wage claims to be moderated without recourse to provocative public announcements or to reorganizations with hazardous outcomes. Even other budgetary and managerial instruments (fixing targets and expenditure ceilings, procedures to prevent new expenditures without new receipts, "prioritization" programs and programs to establish planning and evaluation instruments) used at the same period in other states (Schick 1986, 1988) were not mobilized. The strategy validated in France relied above all on existing know-how and its properties, notably the asymmetry of information between the Budget Directorate and the sectoral ministries.

Against this backdrop, with the technical nature of the instruments—as well as their low profile—at stake, senior civil servants from the Budget Directorate (Bureau 1-A, in charge of budgetary reporting, and especially Bureaus 2-A and 2-B in charge of wages and conditions) played a sensitive role. Top bureaucrats in these offices were the people who had to translate the political objectives adopted (the turn to economic stringency) into technical measures. These were specialists in the service of the political, bearers of precise technical solutions, which they proposed and then did their best to have adopted by the political actors, regardless

of who held political power. From 1982 to 1988, the Budget Directorate was an influential breeding ground and a site of socialization for the requirements of budgets implemented during the period, favoring an emphasis on the exercise of budgetary control over ministries and outlays. Specializing in costing policies on civil service wages, staffing levels and conditions, the second vice-directorate in charge of the civil service (Bureaus 2-A and 2-B) played the most determining role in analyzing the mysteries of civil service wages and staffing policy from 1980 to 1990. Its team of senior civil servants refined, rationalized, and perfected an instrument for calculating the wage bill, then pleaded the case for imposing it on trade unions in wage negotiations. In the period 1983–1988, Bureau 2-A benefited from the constant support of other, more generalist, and more politicized members of the Budget Directorate, who defended the proposed technical solutions, took them up and expressed them politically. Starting in 1983, especially from 1984 to 1986, and then from 1986 to 1988, linked groups of senior technocrats and of those occupying political positions in ministerial cabinets constituted a network of actors, who were in a position to formulate restrictive budgetary objectives for public spending and for expenditure on administration, and then to impose their concrete expression in the form of technical instruments.

Thus, in a context weakened from 1982 onward, the Budget Directorate was the administrative agent for measures of economic stringency defended by the governments of Prime Ministers Pierre Mauroy (1981–1984) and then Laurent Fabius (1984–1986). It made the RMS one of its favored instruments in the policy of economic stringency and the battle against inflation. The status of the Budget Directorate's use of the RMS was thus modified: in the 1970s, it was an instrument for calculations to minimize wage increases, but in the 1980s, it became a technique for regulating wage negotiations.

Incremental, but Cumulatively Efficient, Use of the RMS: A "Virus" Strategy for a "Low-Profile" Instrument

In his analysis of welfare state reform policies, Paul Pierson stresses the importance of strategies for minimizing political costs and, among other things, the role of tactics that employ obfuscation or dissimulation (Pierson 1994, 19–22). Several of these (increasing complexity, decrementalism, even making cuts automatically) characterized the way the RMS was used in the 1980s. In fact, the Mauroy and the Fabius governments wanted to act on civil service expenditure, but still sought to avoid shouldering the blame for an unpopular policy of economic stringency. The Budget Directorate then offered the technical expertise that aimed to lessen the visibility of the negative consequences of a reduction in public wage increases. It established an incremental strategy that allowed the intensification of the use of the wages instrument. This "virus strategy" (Palier 2002) initially introduced the RMS in a very limited way and so was not perceived

as a profound change, but it went on to be developed step by step and lead to greater cutbacks.

The use of the RMS as an instrument in the civil service was triggered by the 1982 price and wage freeze, introduced by Jacques Delors, Minister of the Economy, and his team to accompany the second devaluation in June of that year: this lasted four months, from June to October 31. It aimed to break the vicious circle of price and wage rises, in the objective of breaking down "expectations of continued inflation" (Fonteneau and Muet 1985, 308). At the end of the freeze, a means had to be found to prolong the effects of the measure through the implementation of a true deindexation policy. Processes for determining public sector wages were at the heart of the action taken by the second vice-directorate within the Budget Directorate. This was developed incrementally in four stages, from 1982 to 1986,[12] and imposed the intensive use of the RMS in wage negotiations.

The first stage was structured by the establishment of programmed wage movements in the public sector (civil service and nationalized industries), based on inflation-related objectives fixed a priori by the government. Under the agreement of March 10, 1982, relating to the increase for the second half of that year, there was a break with the conventional system of aligning the rate of combined public sector pay rises with the rate of combined price rises at the end of each quarter of the calendar year, on a "sliding scale." For the second half-year, the Report of Conclusions provided that uprating would take place according to "preset" rates, as a function of the government's price growth objectives. The text provided for a September 1 clause adjusting the respective growth of prices and pay in the first half-year, as well as a January 1, 1983 safeguard clause. There was no longer any systematic annual alignment, but a fixed-date alignment. The second Budget vice-directorate took responsibility for putting the agreements into practice, and thus gave itself the possibility of spacing out the dates of public sector wage re-evaluations while providing for later meetings (safeguard or review clauses) to examine the concrete situation of employees' purchasing power. This was the new *official* basis of the deindexing process, criticized by the trade unions but imposed by the Budget Directorate in a favorable political and economic context.

The second stage in the use of the wages instrument imposed changes in ways of measuring wage increases for calculating civil servants' purchasing power during negotiations with trade unions. Under the agreement of November 22, 1982, the system of preset increases was institutionalized and "negotiated" in exchange for guarantees in the form of safeguard (or review) clauses—clauses providing for later meetings between state and trade unions to examine the concrete situation of employees' purchasing power. At stake in the way these clauses were worded was the imposition of the RMS as the official method of calculation. Making use of the asymmetry of information in its favor and its

mastery of techniques, the Budget Directorate imposed a calculation based on the wage bill as a reference tool for measuring wage growth. In the course of just one year, indexation of wages to prices had had its day and been replaced by two new low-profile instruments: a system of preset increases and the assessment of purchasing power on the basis of the wage bill.

The third phase in the imposition of the RMS took place early in 1984. Having imposed the RMS as a wage negotiation instrument in relation to public enterprises and the civil service, the Budget Directorate manipulated its terms by determining the amount of the increase variable linked to *Glissement Vieillesse Technicité* (GVT) to be used in calculating the growth in public employees' purchasing power. The Prime Minister's Wage Circular of January 1984, written by Bureau 2-A, apart from programming wage growth according to the government's inflation target, provided for the situation to be assessed in terms of the wages bill. It specified that the maintenance of purchasing power would be measured in relation not only to average increase in prices but also to three variables: the "carryover effect" (corresponding to the part of the wage increase that results from general upratings the year before, estimated at 5.61% in 1984); the effect of category increases (evaluated at 0.36%); and the effect of GVT (fixed at 0.5% inclusive). The intellectual frameworks for determining purchasing power were therefore explicit: the effect of general increases (GI), the effect of category increases (CI), and the effect of individual increases corresponding to GVT and taking into account automatic wage growth caused by promotions in rank by seniority. These frameworks for negotiation were presented as nonnegotiable elements by the Budget Directorate. The official introduction of GVT into the calculation of the wage bill was imposed incrementally by initially fixing an "inclusive" rate of GVT (0.5%). Taking into account the real value of GVT could have prevented negotiations going ahead because the amount of the automatic increase in the wage bill caused by the GVT effect would have covered the whole price increase. However, the essential result was established: the civil service salary point rose less quickly than prices, and a seemingly significant inflationary mechanism—the automatic readjustment of the civil service point year-on-year in order to take into account soaring prices—was broken. By introducing the GVT and carryover effects and by bringing category increases into the calculation, the Budget Directorate imposed an automatic increase mechanism that proportionally diminished the part open to negotiation with the trade unions: the general increases and the value of the "civil service salary point." It therefore restrained the amount that could be obtained through annual wage negotiations. The trade unions refused to accept these new bases for calculation, and no agreement was negotiated in 1984. However, this change in the method of calculating the growth in civil servants' purchasing power was the lever for deindexation, and it applied to all three branches of the civil service (central, or state, admin-

istration; local government; the health service), as well as to public enterprises.

In the fourth stage, which lasted beyond the end of 1985 into 1986, under the government of Prime Minister Jacques Chirac (1986–1988), the RMS instrument was used more intensively: this increased its deflationary effect and further reduced the amount of negotiable general increases. There were two reasons for new manipulations of the instrument, relating to a concern to rationalize the method of calculating the wage bill and to the political strategy of using GVT.

Firstly, GVT was manipulated because of the Budget Directorate's concern to perfect the instrument so as to establish figures that were indisputable and therefore still more legitimate in negotiations. There were numerous disagreements between state bodies—Budget Directorate, INSEE, and CERC [*Centre d'Etudes sur les Revenus et les Coûts*]—about assessment of the wage bill in public enterprises and in the civil service, notably because the method of calculation still remained largely uncertain and depended on sources of information (pay slips, aggregated data on wages), over which the various institutions had differing levels of command (Daniel 1992). The issue of wage bill comparability between public enterprises, the civil service, and the private sector was at stake in a context where the knock-on effects—generally from the public sector onto the private—were great, and so constituted a decisive mechanism in the battle against inflation. In 1985, differences and "anomalies" rose up between figures from the Budget Directorate, INSEE, and CERC, and fierce conflict led the Budget Directorate to change its method of calculating GVT, from 1986 onward, to achieve a still more "objective" basis. At the end of 1985 and, especially in 1986, Bureau 2-A pleaded the case for an approach that calculated the "bill for the present workforce," removing the effects of departure and recruitment on the wage bill. At the end of 1985, the Budget Directorate suggested that the use of GVT would no longer be based on the "GVT balance," a relatively moderate amount that takes into account structural variations in the population studied, but by looking at growth in the average pay of personnel in post over the period under consideration, combining general and category increases with "positive GVT" alone.[13] Positive GVT (the rate for present workforce numbers) corresponded to a wage bill higher than the GVT balance (the rate for permanent workforce numbers). Because it was more stable, this basis for calculation was judged more reliable by the senior civil servants of Bureau 2-A.[14] At the same time, it was also even more restrictive because it took into account only positive GVT and no longer made its impact relative to the negative effects of entries and exits. By increasing the proportion of GVT used in determining growth in the wage bill, the authorities made a commensurate reduction in the part negotiable with the trade unions, that is, increases in the civil service salary point, or general increases.

Second, and consequently, manipulating GVT raised not only the learning stakes but also the strategic and political stakes. The advent of a right-wing government in 1986, making the battle against the public deficit a priority and involving a discourse critical of state and administration, offered new opportunities to the Budget Directorate to place even further constraints on wage negotiations. According to the economic advisers, the prime minister "totally delegated" everything relating to firming up the policy of economic stringency and the necessary budgetary arbitrations to the Ministers for Economic Affairs, Finance and the Budget (Elgie 1993, 81–89), so that he would not be held directly responsible for an unpopular policy of cuts. Apart from the privatizations and the significant reduction in sectoral subsidies and intervention spending, the administration was equally concerned with an increased effort on wages policy and an effort to limit civil service workforce numbers. The budget minister's private office and the Budget Directorate were given carte blanche for the mini budget of 1986, as well as in discussions of the draft budget for 1987 (Elgie 1993, 113–121). The second vice-directorate of the Budget Directorate proposed reemphasizing the use of the instruments established in 1983. First, a civil service wage freeze was declared for 1986. For 1987, the new director of the second vice-directorate—the former head of Bureau 2-A—succeeded in imposing a shift from the use of inclusive GVT balance to positive GVT alone, which increased the automatic rise in the purchasing power of civil servants even further and reduced proportionally the part negotiable within the general increases. In May 1986, a circular from the Budget Minister on public enterprises definitively imposed the positive GVT and sought a Trojan horse to do the same in the civil service. This rate was estimated between 1.6% and 1.8%, while GVT balance was fixed at 0.5% on an inclusive basis. The change in GVT was argued and justified by the requirement to calculate a public employee's purchasing power on a stable, pure basis—that is, by considering only employees present from one year to the next.[15] The advent of a new government and its flagging-up of neoliberal objectives thus enabled further incremental modifications to the RMS and the manipulation of a variable to justify a wage freeze by showing that public employees' purchasing power had increased automatically, well beyond inflation (4%), under the effect of GVT.

Throughout the whole period (1982–1988), the effects of the restrictive policy on wages and the purchasing power of civil servants were clearly visible. The budgetary effects of using the RMS were considerable, even though it remains difficult to evaluate the amount. Estimated by the team from Bureau 2-A at 60,000,000,000 francs from 1982 to 1988, the budgetary savings made by applying the RMS were estimated at 72,000,000,000 francs from 1983 to 1992 by the economist Jean-Marc Daniel in his article on the state's wage policy (Daniel 1992). Over the period 1981 to 1988, annual growth in spending on pay and pension costs for the state slowed substantially: 15.4% in 1982, it was no more than 9.6% in 1983 and 4.5%

in 1985, reaching −0.1% in 1987, then 3.7% in 1988.[16] Very significantly, too, personnel expenditure as a proportion of the state budget diminished between 1980 and 1988: it was 38.7% in 1980, then 35.9% in 1983, stabilizing at 36.3% in 1988. Similarly, the state's wage bill as a proportion of GDP went from 6.14% in 1977 to 6.26% in 1983, then in 1990 fell to 5.24% (Daniel 1992, 78–79)—the level it was at before the crisis (having been 5.2% in 1967). Civil service expenditure growth was first slowed down by the wage (and price) freeze of June 1982, in the context of the battle against inflation. The creation of budget-funded jobs was also significantly reduced (41,000 new budget-funded jobs in 1982, 12,400 in 1983, then 7,000 in 1984). Thus, the state's wage bill contracted markedly throughout the 1980s. As a result of the decremental approach imposed by the Budget Directorate, civil servants' purchasing power gains (wage increases in relation to inflation) were considerably reduced in the 1980s: the automatic increases linked to GVT were increasingly taken into account, as were, to a lesser extent, the category measures that applied to one group or another in the civil service. Purchasing power gains from general increases (the increased value of the civil service salary point) strongly diminished from 2.6% in 1975 to –1.1% in 1979, –0.7% in 1984, and –1.7% in 1987. This means that purchasing power gains came discreetly from category measures that apply to some specific groups within the civil service (evaluated at around 0.4% in the 1980s). But, most of all, purchasing power gains were considered by the Budget Directorate as resulting from mechanical effects linked to GVT: they went from 3.9 in 1979 to 1.7 in 1983 and 1.2 in 1985, reaching 0.6 in 1987. Linked to general increases, they no longer allowed compensation for inflation.

Although it is difficult to estimate how civil service wages would have evolved in the absence of the RMS instrument, budgetary effects on salaries showed that economic stringency and changes in civil service wages policy were strongly implemented in the French context, but via discreet paths and without radical political commitments or formal structural reforms. In this regard, the intensified use of the RMS is emblematic of the kind of tactics analyzed by Pierson or described by Palier (2002) as "virus strategy." In the 1970s and—even more so—from 1982 to 1986, the instrument had been used as a low-profile tool to impose wage discipline in the context of the policy of austerity. It allowed politicians and functionally politicized bureaucrats to save their political capital for other battles and other unpopular policies.

The Effects of Instrument-Dependency: Limitations and Possible Rebirth

The institutionalization of GVT illustrates the new appropriation and the success of a budgetary instrument that is both a cognitive instrument for acquiring knowledge and a political and strategic tool. However, its "success" remained precarious and dependent on the political and institu-

tional configuration that conferred meaning on it—or did not. From the early 1990s until the present day, the instrument has lost part of its efficiency as it has lost its low-profile dimension. It has also been constantly challenged by the civil service trade unions. Consequently, new strategies have recently emerged, adopting new patterns of change.

The Limits of a Low-Profile Instrument: New Facets of the Wages Issue Since 1988

Despite some success, the extensive use of the RMS as a lever for the policy of economic stringency was a low-profile public policy whose inconveniences and limitations came clearly to light during the 1990s. In many ways, the robustness of the instrument—which guarantees its efficiency—also has important drawbacks, by its very nature and because it creates instrument dependency. Briefly, three mechanisms may be highlighted that perfectly exemplify the structuring influence of some characteristics of the RMS, as well as the intrinsic limits of its use.

First, both the focus on the wages instrument and its low-profile use had negative effects in the medium term. The choice of a decremental policy on wages was more easily reversible and led to no long-term structural change. This low-profile public policy therefore remained subject to changes in the budgetary context as well as to political cycles (changes in government or of policy direction). The mechanism was effective in the 1980s, but it was based exclusively on the Budget Directorate's actions and was therefore dependent on the legitimacy of its interventions. In 1987, as it was being institutionalized, the RMS was also publicized and even publicly claimed by politicians to explain that civil servants' purchasing power had not diminished in 1986 and would not diminish in 1987. From then on, publicity surrounding methods of economic stringency started to limit their political effectiveness, crystallizing opposition to them. At that period, the advent of a more favorable economic context relaxed budgetary constraints and reduced the instrument's legitimacy. As economic stringency became less legitimate, there was renewed dissatisfaction with the negative effects of economic policy. Significantly, in 1988, in the political aftermath of the presidential elections, strikes, and social movements spread throughout the civil service and public enterprises: their common denominator was the demand for civil service wage uprating, characterized as catching up after years of economic stringency initiated by the Socialist Left itself.

In this period, Prime Minister Michel Rocard's government took responsibility for another approach to the administrative issue, running counter to the Budget Directorate's preferred options (Bezes 2001). The two pillars of the policy of economic stringency (wages and workforce numbers) were totally reconstructed in the context of a return to growth and a considerable increase in fiscal receipts. An advantageous wage agreement was negotiated and signed (November 16, 1988), as was a

broader reform of the civil service wage structure (the Durafour Agreements, February 9, 1990) that readjusted the pay scales of low-paid categories B, C, and D. To relax the effects of economic stringency, the Rocard government found itself engaged in corporatist strategies, using category increases in the form of bonuses for certain groups of public employees (teachers, nurses, court clerks, social services inspectors, etc.). In this context, the instrument revealed the limits of its adaptability, with discrepancies emerging in its intrinsic, solid properties. Further civil service wage agreements (November 9, 1993, signed by the government of Prime Minister Edouard Balladur, and February 10, 1998, signed by the government of Prime Minister Lionel Jospin) were embedded in the same constraints. Sensitive electoral contexts led governments to conduct successive negotiations without declaring the use of the RMS. The agreement of February 10, 1998 was officially negotiated on the previous basis of year-on-year level, taking into account only the value of the standard civil service salary point. This agreement was viewed by the Budget Directorate as costly; no other general agreement has been made since 1998. Negotiations failed in 2005, only serving to confirm disagreement between civil service unions and public authorities.

There is a second bunch of limitations resulting from the effects of intensive use of the RMS. An inconvenience created by the RMS related to the fact that it led to compensating category increases, in the form of bonuses, to correct the absence of general increases in the salary point. This use of bonuses, "arranged" by the state because they do not apply to payment of retirement pensions, destroyed the wage hierarchy and, in the long run, emphasized the fall in the wages replacement rate of pensions. Moreover, as Daniel has stated, although individual living standards for state employees were maintained, wage control measures found expression in the substantially wider gap between public sector wages and private sector wages, particularly for senior managers in the civil service (Daniel 1992). Over the period, limiting wages by inflating the GVT effect was shown to be counterproductive. The fall in the number of candidates competing for entry to the civil service—in general, and to the *Ecole nationale d'Administration* in particular (Garrigou 2001)—may be interpreted as a perverse effect of restrictive wages policy. Finally, to these effects must be added the eventual exhaustion of the deflationary effect of the RMS and its limited capacity, on its own, to reduce personnel expenditure. First, in theory, in the absence of inflation—as in the 1990s—the automatic effects of GVT alone are enough in themselves to maintain civil servants' purchasing power. A tool of competitive disinflation, the RMS is no longer of any use when the objective of low inflation has been achieved. Second, in the context of recurrent budgetary crises (1993–1994 or 2002–2003), the low-profile wages instrument seemed too limited in its concrete ability to reduce the state's personnel expenditure. This brought about a change in approach that occurred in the late 1990s. The issue was not so much a matter of acting to reduce wages directly (and thus increase

disaffection in the civil service) but a question of reducing staff numbers: this alone would lead to a real diminution in state expenditure, while still allowing wages to be uprated.

The third limitation of the low-profile wages policy relates to its intrinsically confrontational structure. There have been controversies around using the RMS and GVT to calculate growth in civil servants' purchasing power since the late 1980s, and these have been increasingly accentuated. In outline, they are based on the structure of the balance of power established in the 1970s, which placed the Budget Directorate and the trade unions in opposing camps. This confirms the idea of an instrument dependency, that is, the limitations deriving from reiterated manipulation and adaptability of a technical tool with intrinsic properties. The structuring effects of using the RMS and GVT (asymmetry of information, complex calculations and debates, the monopoly established by the Budget Directorate, trade union hostility) remained constant throughout the 1990s. In fact, the gulf between the public authorities and the civil service trade unions became even deeper. On the one hand, the RMS continued to be used in the arguments of the public, administrative, and parliamentary authorities. It was very successful as a legitimate learning instrument, as is evidenced by budget documents on personnel expenditure, by reports of parliamentary task forces on the civil service and by administrative reports from the Civil Service Ministry, the Budget Directorate, and the National Planning Commission. Concepts and mechanisms characteristic of the RMS—notably relating to the effects of GVT—were assimilated by senior civil servants and elected officials, and formed the basis for the thinking of political and administrative experts. On the other hand, and in contrast, most of the civil service trade unions rejected the overall calculation based on the wage bill and denounced its harmful effects on civil servants' purchasing power. They presented the RMS and GVT as "daylight robbery."

Thus, the RMS instrument was associated structurally with a strong institutional opposition, making any policy based on social dialogue difficult. On several occasions since the late 1980s, initiatives have been taken to rationalize the method of calculation, focusing on the aim of getting the trade unions to accept the RMS, in order to try and make a true negotiated civil service policy possible. In 1988, a task force was created, charged with formulating proposals for a renewal of wage negotiations in the civil service (Guilhamon 1989). It pointed out the negative effects of the low-profile policy centered on the RMS and GVT, the hostility of civil service trade unions, their disagreements with the public authorities over calculation methods, and the freezing of all collective negotiations. The Budget Directorate's whole strategy was implicitly criticized. The recommendations argued for greater publicity and transparency in the terms of negotiation, for a better definition of the measurement indicators (centered on growth in the average pay of a group of natural

persons present over the period), and for a real comparison with the private sector in order to ensure that the civil service was not disadvantaged. The stated aim of "restoring social dialogue" in the context of "public service renewal" echoed the criticisms directed at the low-profile use of the RMS and its delegitimization in the late 1980s. Very recently, in February 2004, the issues linked to GVT were taken up again in similar terms, in the context of a debate on overhauling the wage negotiation rules.[17] The question of the "methodological framework for wage negotiation" was raised again. The Civil Service Minister, Jean-Paul Delevoye, then proposed to set up a "pay observatory" responsible for "creating an objective, shared statistical base." The seven civil service trade unions denounced the idea, and this led to the project's failure. On this point, the terms of the debate recall exchanges in the mid-1960s, in which government and trade unions were opposed. The tension between the three intrinsic properties of the RMS—a tool for acquiring knowledge, an instrument of spending control, and an element in stabilizing the terms of social dialogue—remains, sustaining both contradictions and conflicts.

New Strategies for Retrenching Civil Service Wages Expenditure at the Turn of the Century

At the end of the century, in a context where public expenditure still remained a crucial issue, the strategy of decreasing civil service wages by "working within the existing framework" (Hacker 2005) with a low-profile instrument appeared ineffective. At this time, both other "internal" and stronger "external" strategies were developed. First, the demographic analysis of civil service population trends provided evidence for stronger initiatives on the overall public sector personnel system. In 2000, the *Commissariat général au Plan* published an alarming report on public employment trends which revealed that 720,000 public servants will be retired from the state civil service by 2012—that is, 45% of all state employees (Commissariat Général du Plan 2000). The report presented this macroevolution as a historic opportunity for the French state to make hard choices about its personnel management and recruitment strategy, both in quantitative terms (do policy makers need to replace every public servant?) and in qualitative terms (if recruitment is necessary, what should the priorities be?). These figures were made public, and they transformed Budget Directorate and government strategies on personnel policies. The governments of both Prime Minister Jospin and Prime Minister Raffarin announced they would stabilize the overall number of staff by balancing out retirement departures and new recruitment. The Budget Directorate asserted its objective of not replacing one retired public servant in two, and this now frames all negotiations with ministries. This nonreplacement strategy—that is, an approach that delegitimizes and blocks any compensatory interventions (in this case, recruitment) in the

face of major shifts in environment—is termed "drift" by Jacob S. Hacker in his analysis of the hidden politics of social policy reform (Hacker 2005).

At the same time, the core idea of the RMS (to take into account the overall wage bill) has been reframed within a big "external" legislative change, and its ubiquity thus reinforced. Indeed, the passage of a new Institutional Act on Budget Legislation, adopted on August 1, 2001, retained the main significance of the RMS, while encapsulating it in a broader, rationalized legislative framework. The Act, to be implemented by 2006, set up a results-oriented budget, redesigning the overall budget architecture by organizing credit items into 34 assignment groups and 132 programs, each a consistent set of measures coming under the same ministry and involving both specific objectives and expected results that would be subject to review. Within each program, public managers will be given a great deal of room to maneuver in the use of appropriations allocated to them, with stronger freedom to redistribute these appropriations between types of expenditure (with the exception of topping up personnel appropriations from other appropriations—so-called "asymmetric fungibility"). A wage bill ceiling and a jobs ceiling were to be defined for each program and for each ministry, detailing jobs on the state payroll. These new global frameworks require demanding overall wage bill measurement at every level, along with forecasts that will optimize the management of each ministry's total wage bill.

The Hidden Politics of Administrative Change: What a Low-Profile Instrument Tells Us about the Transformation of Bureaucracies

For those interested in institutional changes in administrative systems, this case study demonstrates three significant arguments about retrenchment policies that use low-profile instruments.

Why Instruments Matter: A Concrete View of Administrative Changes

First, through this case study, emphasis has been placed on the salience of techniques for calculating, measuring, classifying, and indexing, linked to the construction of reliable information on the activities of contemporary government. An examination of how the RMS was invented and perfected throws a spotlight on the importance of knowledge as stakes in administrative reform. The attention paid to the "administrative population," from the two perspectives of number (the size of the workforce) and—especially—budgeting (the size of the wage bill) requires technical devices to provide knowledge of the number of public employees and a precise measure of their demands on state expenditure. The conditions in which this measuring tool was created and used—and the knowledge issues related to them—illustrate the importance of a technocratic perspective (Weaver 1989) that raises the value of techniques in administrative policy as a way of rationalizing policy making and providing a

predictable and "objective" mode of civil service wages calculation. The instrument matters all the more as measurement, once launched and "backed by powerful institutions," becomes "real, fateful and autonomous" (Espeland and Stevens 1998, 325). Seemingly, the RMS may be viewed as a neutral instrument showing the various components of the overall civil service wage bill. Once such a mode of calculation was institutionalized, it became extremely robust but also, paradoxically, adaptable to different policy aims. Initially viewed as an instrument for learning in a context where the rationality of the state was being questioned, the RMS then came to be seen as a possible foundation for trust in a Keynesian-inspired incomes policy, before finally being used as a crucial tool in imposing economic stringency. In all cases, the instrument provides new capacities for government interventions by creating new "objective" realities. By allowing itself to become an object of investigation through the RMS, administration also becomes an object of public intervention (because the public authorities may then want to act on whatever the instrument has categorized and highlighted). However, as nicely illustrated by the RMS, an instrument also refracts power relations. Although the RMS—like all measurement instruments—has "produced depersonalised, public forms of knowledge" (Espeland and Stevens 1998), it is not uncontroversial. The categorizations and methods of calculation that form the basis of wage increase mechanisms were discussed and contested, from the late 1960s, to the point where long-lasting opposed positions crystallized. The second and fourth parts of this article have analyzed the controversies of the 1970s and 1990s around the RMS, privileging the conflict that brought trade unions and employers (neither of whom recognized the scientific robustness or the legitimacy of the RMS) into opposition with the Budget Directorate of the Ministry of Finance.

The Low-Profile Art of Government: Depoliticized Techniques in Politics and the Politicized Use of Depoliticization

The second message of this article is to emphasize the important part played in the art of government, since the 1970s, by governing through automatic, unobtrusive, incremental, low-profile mechanisms at times of economic crisis (Weaver 1986, 1988, 1989). Starting from the late 1970s and continuing until the late 1980s, the RMS gradually became an unobtrusive strategic instrument in the policy of civil service expenditure reduction. Its low-profile dimension relies on two elements. First, the method of calculation, its technical nature, and the statistical realities it constructs made the RMS a particularly depoliticized instrument for rationalizing civil service wages policy. The instrument's constituent properties created possibilities for automatic wages policy adjustment. The RMS relied simultaneously on increasing the complexity of the formulae for calculating pay increases, on decrementally decreasing the sum that could be

negotiated with the social partners, and on introducing an automatic mechanism for reducing this sum. In particular, the new equation defining the calculation based on the wage bill and integrating GVT introduced a mechanism for the automatic reduction of the annually negotiable part of public sector employees' purchasing power (the general increases), limiting gains made through a parallel mechanism for increasing the structural part of this same purchasing power (via GVT). This picture therefore accords a great deal of importance to inflationary automatic mechanisms, which it implicitly criticizes. Second, the low-profile dimension of the RMS came from the strategic and political uses of the instrument and especially from its monopolization by the Budget Directorate in wage negotiations with the trade unions. The RMS met the expectations of those who implemented it, both through its dual impact (reducing public spending and limiting wage increases to help force down inflation) and through its political benefits: reducing the scope of political conflicts by concealing civil service wages stagnation or even decreases. In relation to the civil service, the Mauroy and Fabius governments were "blame minimizers," looking for mechanisms to enable them to obtain the desired result while avoiding shouldering the blame (Weaver 1986)—that is, to reduce both the concentrated costs of a public policy and the risks of imputation. The Budget Directorate offered a technical, complex, asymmetric solution that made this low-profile action possible; it was also in a position, through its networks, to get the instrument accepted politically and impose its use in the context of wage negotiations. The instrument allowed the development of a budgetary policy of retrenchment while minimizing its political costs (Pierson 1994).

This throws light on a set of practices that do not define *public* administrative reforms so much as they reveal the art of governing bureaucracy through "*low-profile* instruments." This softly-softly approach is an intentional strategy, on a similar footing to the tactics whereby governments render their actions "opaque" when they are worried about the visibility of policies that reduce accrued advantages or social benefits and so might lead to electoral sanctions (Pierson 1994). Several factors explain the "success" of this art in the case of the RMS. The incremental adoption of the instrument made opposition hard to organize because the successive steps taken were small, not very visible, and in themselves represented only slight variations. It was also difficult to oppose the strategy of the Budget Directorate and the government. In 1982–1984, the economic context of crisis did not put the civil service unions in a position of power, and they could not really oppose a policy of economic stringency that demanded they contribute to the national effort. Further, the complexity of the calculation, the difficulty of gaining access to the information it was based on, and the low-profile mode of action adopted all made it hard to build on the weak mobilization against official use of the RMS. Finally, the public authorities played on divisions between its opponents. Some trade unions agreed to talk on the basis of the RMS and accepted these

frameworks as a basis for negotiation. Winning one trade union actor over to the cognitive frameworks imposed by the Budget Directorate weakened protest and gave credence to the "truth" of the RMS. The trade unions' difficulties in creating a real collective opposition to the new calculation reinforced the instrument's success during the 1980s.

Overall, this case study of the different faces of the RMS has helped us to consider the complex process of low-profile government, which relies both on the need for more expert information and on its manipulation for political reasons. This case suggests that depoliticization and politicization processes may be more intricately intertwined than is usually observed (for a convergent argument, see Flinders and Buller 2005).

Administrative Changes in Scope and Time: New Scales for Observing and Explaining Retrenchment in Bureaucracies

The third concluding observation to be made focuses on the kind of changes emphasized by the instrument approach. While most studies of administrative reforms to some extent highlight *public* policies that target the structures and rules of bureaucracies, the case of the RMS allows us to observe "everyday forms of retrenchment" (Hacker 2005)—that is, internal but significant shifts in administrative systems without formal revision. The changes induced by the "low-profile" instrument were both incremental and at the margin (such as the use of an "equation" in negotiations). Compared to budgetary and administrative reform policies in other countries (Pollitt and Bouckaert 2000), the French orientation before 2001 was weaker in aims and scope and was strategically preferred to more comprehensive, more public reforms of structures and rules that would have been more costly for elected politicians. However, the purposes and the effects of this strategy were of paramount importance for the French administrative system. The introduction of the RMS expressed the change in general objectives on state expenditure. It was a matter of seeking to reduce the drain on the GDP of public administration, and particularly of the state, especially in terms of the wage bill. Changing the method of determining wage growth transformed the way in which civil servants' purchasing power was guaranteed. Until the 1970s, it had been a question of guaranteeing year-on-year maintenance of the purchasing power of the civil service salary point; now it became merely a matter of maintaining, in inflation-adjusted francs, the overall amount of the wage bill for a workforce viewed as unchanged in size. Thus, the adoption, in 1985, of "RMS + GVT" strategies no longer ensured a general increase in all wages nor an annual progression by salary point value, previously viewed as a vested right. The concept of average purchasing power was imposed, and broke the automatic wage increase mechanism. Between 1982 and 1988, therefore, the terms of civil service wages policy were profoundly challenged, with the ending of indexation, the public display of a new method for calculating growth in the wage bill, and the steady

reduction of the general increase negotiable annually with civil servants. From this point on, the RMS instrument, formerly used within the Keynesian framework of an incomes policy, was at the service of a neoliberal policy of retrenchment and of a strong challenge to the historical arrangements of the French administration. Focusing on the instrument provides evidence that major administrative policy departures can occur through other routes than big, highly public reforms.

This brings us to a last, important argument concerning the temporal dimension of policy changes (for a broad view, see Pierson 2004). Tracing the historical life of a low-profile instrument permits us to bring to light sequences over time other than those relating directly to public policies. During the 1980s, a "low-profile" tool for staff expenditures was developed as an alternative to the development of a "public" policy with retrenchment objectives. It acted as a crosscutting constraint on the emergence of more structural, managerialist, or drastic cutback initiatives on the French administration. To some extent, the excessive focus on the RMS instrument and its efficiency limited—for a while—the Budget Directorate's quest for managerial tools or structural reforms. This confirms the view, supported by Orren and Skowronek (1993), that an "institutional order" is made up of separate, interacting institutions that "juxtapose different logics of political order, each with their own temporal underpinnings," "operating according to distinctive ordering principles" (Orren and Skowronek 1993, 320). These various elements "structure the passage of time—the sequences and cycles, the changes and lulls—at varying rates." The case of the RMS has illustrated that the dynamics of the low-profile instrument had its own logic and timing, which affected the parallel logic of public administrative reform. Both have their specific stories and narratives, but I have chosen to emphasize how the instrument approach can help to trace new paths of institutional development. By pointing up the importance of different temporalities in the government of bureaucracy, we suggest that the interplay and possible overlap between the dynamics of instrument and the dynamics of public policy need further exploration, in order to pinpoint the multiple forms of retrenchment that affect bureaucracy.

Notes

1. These are the initiatives that gave rise to the *Rationalisation des Choix Budgétaires*, the French version of the US Planning, Programming and Budgeting System.
2. The public sector enterprises covered in the report are limited to four: the railways (S.N.C.F.), *Electricité et Gaz de France*, coal mining (*Charbonnages de France*), and Parisian transport (R.A.T.P.).
3. This automatic effect will be referred to as "GVT" (*Glissement Vieillesse Technicité*).
4. In 1964, the trade unions complained about this attempt to impose uniform wage increases both on public enterprises and on the civil service (Hayward 1966, 187).

5. National Accounts in *Statistiques et Etudes Financières*. 1982/3. No 388.
6. The numerical data relating to growth in public spending and especially to debt reveal a less unfavorable situation in France than in a good number of other countries at the same period—a factor that cannot have encouraged the government to implement or publicize drastic budgetary policies.
7. Information based on interviews with former members of the Budget Directorate.
8. The equation "WB = GI + CI + GVT" where PI = Prices increase; WBI = wages bill increase; GI = general increases (i.e., increases negotiated annually between the civil service trade unions and the government); CI = category increases (i.e., the sum of measures that apply to only one group, *corps*, or category); GVT: *Glissement Vieillesse Technicité* = the effects of automatic growth of the wage bill by taking into account promotion by seniority and changes in technical expertise requirements.
9. Until 1977, the maintenance of purchasing power was officially calculated using the levels of the civil service salary point: the value of the reference point used to calculate civil servants' wages in December of year n was the value in December n–1multiplied by the year-on-year growth rate of the INSEE prices index.
10. Demanding a 6% wage increase by level is less specific than demanding an increase of 6% calculated on the basis of the wage bill.
11. The first manifestation symbolic of this change was that standards were set to try to limit spending growth and restrict the level of deficits: in March 1982—on the initiative of the French president, in consultation with ministers—a limiting threshold for the budget deficit of 3% GDP was established publicly. This decision is dated to February 2, 1982 in Favier and Martin-Rolland (1990, 496).
12. These phases were identified through comparison of three types of data: information gathered during our interviews with members of the Budget Directorate at the period and with some of the trade unionists involved in the negotiations, extremely precise trade union accounts written later (in particular, Bidouze 1995; Branciard 1995), and general articles on civil service wages policy (Daniel 1992).
13. Up to 1984–1985, the amount of GVT had been calculated on an inclusive basis and it represented the assessed "GVT balance"—that is, a wage bill calculated from growth in the average per capita wage for the permanent workforce (in the jargon of the Budget Directorate, the *salaire moyen par tête*, or SMPT), by integrating the structural variations in the population studied and by taking into account the two component mechanisms of GVT: the effect of the positive impact on the wage bill of promotion by length of service, by selection or by rank and the acquisition of new technical expertise (known as "positive GVT"), and the shuttle effect (or "negative GVT") which shows the generally negative impact on the wage bill of the interplay between workforce entries and exits. "GVT balance" therefore represented a relatively moderate amount because the shuttle effect significantly attenuated increases caused by the career effect, taking into account retirement and the recruitment of young employees paid less than those who leave, thus reducing the wage bill. By recruiting young people, private enterprise and the civil service helped to increasing the overall wage budget to be negotiated because, in doing so, they reduced the amount of GVT.
14. INSEE was opposed to other methods of calculation, but in 1986, the legitimacy and power of the Budget Directorate prevailed.
15. It was therefore necessary to neutralize the effects of negative GVT (entries and exits) and take into account only positive GVT.

16. Sources: *Les Notes bleues de Bercy* [Ministry of Finance Bulletin of News, Facts and Figures]. 1991 Finance Bill. NB 508. October 1–7, 1990.
17. Second roundtable discussions with the civil service trade unions on the subject of renewing social dialogue, Thursday, January 27, 2004.

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