

## MONGOLIAN CIVIL SERVICE AND HUMAN RESOURCE MANAGEMENT: REFORMS AND CHALLENGES<sup>48</sup>

**Prof. Dr. Baigal Dorj**

Dean, School of Civil Service, NAOG

**Assoc. Prof. Dr. Bayanmunkh Mandakh**

Chair, Department of Human Resource Management, NAOG

**Abstract:** This article outlines the stages of civil service reform in Mongolia and evaluates the specific activities implemented during each stage, along with their characteristics and outcomes. The changes and reform of the modern Mongolian civil service have been categorized into stages, starting from 1990, when the foundational policies and legislation for the civil service were adopted and implemented. With the adoption of the revised Law on Civil Service in 2017, significant changes have been made in terms of civil service human resource policy and management. The challenges and issues that need to be addressed in the implementation of these reforms have been identified.

**Keywords:** Civil service, human resource management, civil service reform, merit principle.

Civil service refers to activities, structure and arrangements for the implementation of the state's goals and functions within the scope of the Constitution of Mongolia and other laws and regulations, developing state policies and provision of mandatory government services to the public.

Ideally, the civil service is to be non-partisan, relatively independent, accountable, merit based with professionals to represent interests of citizens, responsive to their needs, and of a size and structure that commensurate with capacity to deliver core government functions. However, not all countries meet these requirements, and as a result, reforms of the civil service have become a pressing problem in many countries today.

The consequences of partisanship or dominance of a certain group of elites in the civil service, corruption in both public and private institutions, increasing number of deskilled and demotivated employees, unequal distribution of public services, budget deficits, inability to guarantee social security for civil servants, overlaps and gaps in duties and responsibilities of a position leads to dysfunction and inefficiency of the civil service, which, in turn, leads to a loss of public confidence in governance.

There are a range of pressing challenges including politicization, patronage and limited resources that civil service reform needs to respond to. The civil service has a broad systemic content, including fundamental issues of the management

<sup>48</sup> Translated by Erdenechimeg Chogdon, Ariuntuya Myagmar and Munkhbaatar Jugder

system.

Many countries are poised to move forward building civil service that is:

- Merit-based and politically neutral;
- Optimal structure and size, fair salaries and social benefits;
- Accountable, professional, avoid conflict of interests and free from corruption;
- Relatively independent, responsive and representative of the citizens;
- High-performing, outcome-oriented and relatively transparent.

Viability of serious civil service reforms largely depends on the institutional and political state of governance and the capacity of the civil servants. The need to reform the civil service leads to the definition of why reforms are needed, for what purpose and how to implement these reforms.

During the first 70 years of the twentieth century in the Western countries including many democratic countries there was an expansion of the scope of the civil service. By the 1980s, the structure of administrative institutions had become overly large, making them inflexible, bureaucratic, expensive and wasteful, which led to reforms in public sector. In many countries, civil service reforms were intensified as part of the broader reforms in New Public Management of the 1980s. As scholars and researchers indicated, the first phase spanned the 1980s and the reforms recognised the role of the civil service and supported institutional change to change the civil service policy in the scope of the reforms. The next phase was in the 1990s after dissolution of the socialist system when the reform process intensified.

In the early 1990s, the Mongolian civil service, which was undergoing a major social transition, laid the foundation for the establishment of a civil service system and structure compatible with democracy, market economy, and the administrative culture, traditions, and characteristics of the country. A great wave of global reforms in public administration caused by the collapse of the socialist system in the 1990s did not bypass Mongolia, whose civil service began to implement a new model as well.

The changes and reforms of the contemporary civil service of Mongolia can be divided into several stages due to the adoption of the main civil service policies and laws since 1990.

### 1. First stage covers period from 1990 to 1994

The new legislative, executive, and judicial structure of the Mongolian state under the new Constitution was created and put into operation, which became a basis of the structures and procedures of the civil service. Before this, under the socialist system, there was no private sector in Mongolia, so anyone who was employed was working in the public sector. However, establishment of the new governance system caused a significant migration of labour force from the public sector to the private sector, and consequently, there was an urgent need to adapt civil servants to the new circumstances, which was solved by the Resolution of the Government of Mongolian People's Republic No. 293 in 1991

“Organization of staff work in public administration bodies”. The document defines the system, which directs the activities of employees at all levels of state administration in implementing state policy. It included the followings:

- *Position and rank classification in public administration*
- *Training system in public administration*
- *Selection, promotion or demotion system in public administration*
- *Public administration accountability*
- *Social security system for public administration workers*
- *Ways to implement a new governance system of the activities of the employees in public administration organizations*

The Resolution defined the work organization of the staff in the public administration bodies in Mongolian People’s Republic, and it is regarded to have laid the foundation for the administrative system with a democratic and market economy. This system, approved by the Government Resolution, determined the human resource policy and management of the civil service until the Civil Service Law was enacted and put into effect.

## 2. From 1995 to 2002

The first Civil Service Law was affirmed on December 30, 1994, and civil service, its classification and categories of civil service positions, its requirements, duties and rights of civil servants were determined. This law came into force on June 1, 1995 and it was the beginning of the second phase of civil service reform. At this phase, the legal regulation of the civil service of Mongolia became clear, and the current civil service structure, organization, activity and the foundation of the human resources management system were laid and implemented.

## 3. From 2003 to 2017

At the end of the 20th century, the idea of introducing result management mechanism and tools in public administration sector has emerged in world countries and the approach of New Public Management has developed. According to the new approach implementation in the world countries’ public administration in 2002, the same efforts to introduce management mechanisms in Mongolian public sector has started and Public Sector Management and Finance Law was approved, and the Civil Service Law was revised accordingly. Regulations and policies of the human resources management in public service were provided in these two laws and Public Sector Management, and Finance Law authorized the budget managers (general managers) to make appointments. In other words, the decentralized position-based appointment system contradicted the centralized career-based system that indicated in Law on Civil Service. Since 2013, the Public Sector Management and Finance Law has been repealed, and there was a need to improve the Civil Service Law in the future.

At this stage, in 2004, the Medium -Term Civil Service Reform Strategy of Mongolia was approved by the Parliament aimed to establish result-oriented civil service and the need to strengthen the mechanisms and tools of strategic planning, performance management, human resources, and financial

management were emphasized. In other words, at this stage, efforts are made to strengthen the capacity of governance institutions and improve operation efficiency and effectiveness.

Although the Civil Service Law defined the principle of professional and stable civil service, it was a common phenomenon that civil servants who are working in a stable and professional manner were fired and replaced under the guise of changes in the structure of public organizations, downsizing, and working in teams, depending on the results of political elections. Therefore, the Civil Service Law was amended in 2008 to suspend the membership of political parties for employees other than political employees. It can be considered as one of the special regulations of this civil service reform period, and even though it was important to keep the civil service free from politics, independent and stable, however it did not always have clear results.

#### 4. From 2018 to the present

It can be said that a new phase of the reform began with the renewal of the Civil Service Law in 2017, which brought major changes in the human resources policy and management of the civil service. For example, the following newly enacted the Civil Service Law, 47 new regulations were approved, which coordinated the operations of civil service human resource management. These changes include:

*Reform of Requirements for Positions:* The process of developing and validating job descriptions was modified to clarify the oversight/control functions of a central authority for civil service. Additionally, certain requirements for public administration positions were incorporated into the Civil Service Law, such as years of service and specialized training packages etc., As a result of this reform, the requirements for positions are now tailored not for candidates to be hired but specifically for the positions themselves, allowing for unified oversight. By accurately defining the requirements for specific positions, this reform has strengthened conditions for qualified and skilled civil servants to work in the civil service.

*Reform in the Policies for Recruitment, Selection, Appointment, and Promotion in the Civil Service:* The civil service examination has been divided into two types: general and special examinations, with the content and way of the exams enriched and modified according to the merit principles. The general examination has significantly contributed to building the human resource reserve for the civil service, serving as a prerequisite for selecting qualified citizens for special examinations (for specific positions). As a result of this reform, the content and format of the civil service examinations have been developed to fit specific positions, thereby creating conditions for the implementation of career principles within the civil service.

*Reform in Training and Development Policy:* The Civil Service Law (2017) stipulates that a training organization for civil service will operate under the government, which is the National Academy of Governance. This law mandates that there be specialized training packages for each category of positions, with

training content and programs developed and organized according to the level, responsibilities, and characteristics of the respective positions. Furthermore, as specified in the Civil Service Law there are provisions for short- and medium-term training for individuals appointed to civil service positions after their appointment.

This reform aimed to equip civil servants with the knowledge and skills necessary for their positions, and the principle was that they should acquire the requisite knowledge and skills and specific training only before being appointed, rather than “studying” after being appointed.

*Reform of the Performance Management System:* Previously, the Civil Service Council was solely responsible for performance management issues, however under the current legal framework, the Government is now overseas this responsibility. The Civil Service Law specifies that strategic plans, performance plans, and job descriptions of state organizations should be developed and implemented in a coordinated manner, focusing on result-based performance management system rather than process-based one. As a result of these reforms, the performance of civil servants as well outcomes and organizational performance of operations have improved. All decisions related to human resource management are now based on the performance and outcomes of individual civil servants, thereby creating conditions for implementing the competency principles.

*Reform of the Salary and Incentive System:* Since the implementation of the Civil Service Law (2017), the classification and grades of public administration positions have been revised twice, allowing the basic salary levels to be set more appropriately based on the specific characteristics of each position. In this context, there have been changes to the conditions and amounts of salary increases, bonuses, allowances, and the conditions, amounts and regulations for assistance provisions. Hence, favorable conditions have been created to improve the salaries and social security of civil servants.

Thus, while there has been obvious advancements in the main functions of human resource management and its coordination and regulation within the context of civil service reform, there still exist the need and challenges for updating and reorganizing the management of human resources in the civil service due to the rapid development of society, economy, and technology.

Although Mongolia aims to strengthen and establish a merit-based career system in the civil service, signs of an “position-based system” have emerged, indicating the need for smart regulations that consider the new demands and requirements of human resource management in the civil service. In terms of the human resource management system in the civil service, countries around the world have established either a merit-based career system or a position-based system as the dominant approach.

The career system is a classical form based on the merit principle addressing issues of human resource management in the civil service through a “career” approach. In other words, in this system, when a citizen first enters the civil service, they start from a lower-level position and advance over time through

promotions (career advancement) while other human resource management issues also align with this principle. For example, there is a formally established salary network and system that is uniformly applied to all civil servants, where salaries increase with years of service and position level. Under this system, all regulations related to the employment relationships of civil servants are precisely defined by law, legislation, and specific rules, which all state bodies are required to follow.

The position-based system, on the other hand, is a modified form of the merit principle adapted to modern market society. Under this system, when a citizen is recruited into the civil service, specific professional qualifications, education, and skills are considered, and individuals are competitively selected. However, in managing human resources, each organization has the flexibility to independently regulate its operations without violating the general principles of the merit system. In other words, while laws and regulations dominate the career system and govern all arrangements, in the position-based system, contracts and agreements play a central role in managing human resources.

In the context of the reform stages in the Mongolian civil service mentioned above, the management of human resources in the civil service has been defined to align with a merit-based career system.

Throughout these stages of change and reform in the civil service, there has been an emphasis on developing a skilled and stable civil service staffed by knowledgeable individuals, aiming to enhance legal regulations to ensure effective and active operations. Essentially, the effectiveness of civil service operations is directly dependent on the knowledge and skills of the employees and their proper management and organization.

According to 2023 report of the National Integrated Register of Civil Servants of Mongolia a total of 226,496 civil servants works in political, public administration, state special, and public service positions. This represents 6.67 percent of the total population, 18 percent of the labor force, and 19 percent of all employed individuals, indicating that one in six workers is a civil servant. The total number of civil servants has increased by 25.2 percent since 2013 and by 38 percent since 2003, and this trend continues to grow. Issues related to the working conditions, job design, and effective management of these civil servants are regulated by the Civil Service Law, with the state itself becoming the largest employer.

From a legal perspective, the current management of human resources in the civil service grants specific powers to the Parliament, the Government, and the Civil Service Council under the Law on Civil Service. Additionally, it is stipulated that there should be a training organization for civil service, and that state organizations are required to develop and implement programs related to human resource management.

Within the framework of the Civil Service Law, which was enacted in 2017 and began implementation in 2019, the Parliament has adopted 27 resolutions, the Government 19, and the Civil Service Council 9 resolutions. When categorized by the core functions of human resource management, there are a total of 11

decisions related to the classification and grades of civil service positions and the requirements for these positions, 18 decisions related to salaries and wages, 8 concerning salary increases, 2 related to aid provisions, 8 regarding training, 6 related to the regulations for selection and recruitment, 3 concerning performance management, and 3 related to human resource registration. From this, it can be concluded that the relevant authorities have issued regulations and guidelines, and the legal framework for human resource management in the civil service is eventually in place.

Additionally, in Mongolia's long-term development policy "Vision 2050" Objective 5.4 states, "We will establish a civil service that is civil-oriented, specialized, competent, transparent, effective, and smart." The first phase (2021-2030) is defined as "the period for strengthening a competent and sustainable public service based on the principle of merit, with the aim of enhancing the effectiveness and efficiency of civil services". Several expected outcomes have been identified in this context.

Human resource management is a key issue in the reform of the civil service, and several studies on its implementation have been conducted since 2020, following the amendment of the Civil Service Law. For example, a study conducted in 2020 on the "Implementation of promotion principles in public administration positions" concluded that a system adhering to promotion principles had begun to form in the Mongolian civil service, correlating with fundamental issues in human resource management. Among the civil servants surveyed, 15.3 percent of State Secretary of Ministries and 60 percent of agency heads classified as 'senior principal officer' did not meet the required years of service as stipulated by the Law on Civil Service. Additionally, 19 percent of aimag governor's office heads in the 'principal officer' category and 11.3 percent of soum governor's office heads in the 'senior officer' category also did not meet this requirement. In contrast, 62 percent of State Secretary of Ministries, 45 percent of agency heads, 57 percent of aimag and 79.5 percent of soum governor's office heads did not meet the requirement for years of service in the previous level of positions. This indicates that while the majority of civil servants meet the total years of service requirement, a significant 60 percent of the surveyed officials did not fulfil the requirement for years of service in the previous level of positions, which is an important indicator of the implementation of promotion principles (Bayanmunkh, M., Tsedew, D., Baigal, D., 2020).

In 2021, studies titled "Comparative study on the classification and grades of public service positions" and "Analysis of the implementation of the Code of Ethics of public administration servants" were conducted, providing valuable conclusions and recommendations to meet current demands. For instance, the results of the classification and grades study highlighted that the classification and ranking of public administration positions in Mongolia exhibit a "hybrid" nature that superficially reflects both position and rank. Additionally, the lack of specific methodologies and guidelines for defining the classification and grades of public service positions has hampered the systematic organization of human resource planning, the improvement of recruitment and selection processes, as well as effective implementation of training, development,



and promotion policies. Thus, based on the study's findings, steps were proposed to develop the classification and grades of public service positions grounded in methodological principles (Bayanmunkh, M., Erdenechimeg, Ch., Enkhmandakh, Ts., 2021).

Also, the study of "Analysis of the implementation of the Code of Ethics of public administration servants" suggests that "the effective implementation of code of ethics should rely on a) individual knowledge, education, and attitude, b) ethical leadership and organizational culture, and c) change of social values and these factors must be taken into account".

In 2022, "Analysis on public servant social security program implementation and current situation" conducted by D.Baigal et al. concludes that "there are number of regulatory options of social security for civil servants although the implementation is insufficient. To manage this issue, create other social security opportunities through updating salary system and increasing the salary for civil servants, and develop integrated social security system considering the public sector and organization is crucial" (Baigal. D, Enkhmandakh Ts, Munkhnaran. N, et.all 2022).

The research team of Human Recourse Management Department, the National Academy of Governance conducted three research works in 2023 includes "Study on merit principles implementation in civil service: A case study of appointment". The study investigates that merit shall a broad mean a set of qualifications, including knowledge, education, worthiness, excellence, moral, inspiration, biographical history, attitude, used as the basis for making decisions on appointment, and promotion of candidates for positions in the civil service. The research team argued that "the current understanding and usage of concept of merit principles is limited to due to job position description requirements as profession and specific qualification, experience, and skills only. This limited understanding and usage of merit principle can limits on effectiveness of merit principles implementation" (Bayanmunkh. M, Erdenechimeg. Ch, Enkhmandakh. Ts, 2022).

"Public servant's qualification and its criteria" which was conducted in 2023 explored that "the definition of qualifications is not clear, and their criteria were not well defined in the law and regulations creates further difficulties to determine qualified and competent civil servant. Therefore, the study suggests that qualifications can be redefined as "a) job functions and professional compatibility, b) learning and preparation, c) achievements, d) experiences" and 4 generals, 10 sub and 24 detailed requirements and criteria of qualification were specified.

Furthermore, the research team of the National Academy of Governance conducted research work entitled "Study on the implementation of the training system for civil servants (according to the Civil Service Law)" that covers 119 organizations. The study was conducted in several areas including legal framework for the training system, environmental impact, content, curriculum, organization, financing, and trainee's satisfaction. "According to the Civil Service Law, the content and program of trainings shall be approved by the



Government based on proposals by the civil service central authority and not by the training institution itself". This potentially can weaken the capacity of civil service training institutions to obtain and implement the training and development considering the needs of civil servants, to work flexibly and creatively in response to the needs and demands of society.

Summarizing the result of the research work conducted on civil service human research management in Mongolia in the recent five years, the following areas are needed further attention:

- Develop and implement civil service human resource planning at national, sectorial, local administrative and organizational levels in a coordinated, comprehensive manner.
- Competence framework for civil service classification and grades should be defined accordance with the current demands and needs and implement it consistently in coordination with other human research management functions.
- Strengthen and develop merit principles of civil service by redefining work and jobs system to the classification and grade in an optimal way, depending on public sector and the status of the public organization, as well as characteristics of operation, function and responsibilities.
- Improve content and format of civil service exam by testing knowledge and skills and personal characteristics, moral, roles and responsibilities in social relations should be considered in comprehensive manner.
- Develop and implement the hierarchical, continuous training policy and system for civil servants, select civil servants for qualification package training for promotion purpose based on the qualification and work performance.
- Optimize development of performance plans for public organization, objectively evaluate the work performance and results for civil servants, introduce human resource auditing system.
- Introduce and implement an optimal system to develop and promote civil servants and objectively evaluate the work performance and results for civil servants.
- Optimize the system of classification and grade in civil service and develop and implement performance-based pay system.
- Evaluate implementation of code of ethics, investigate ethical violations, develop accountability in public organizations, develop integrated database of ethical violations, create system which encourages and promote good ethical behaviour.
- Limit political influence, create firm working conditions for civil servants as well as their management not to be influenced or involved in politics, neutrality, independent and loyalty to work and profession.
- Due to rapid development of information and communication technology, digitization of human resource management system is being intensified. We must pay great attention to the implementation of electronic systems such as recruitment and selection, training, performance management, integrated registrations and introduction of artificial intelligence-based human resources management system.

Civil service requires systematic approach that is the set of connected elements covers a wide scope, so the reform in civil service directly related to the activities of civil servant, politicians and decision-makers and it is about changing individual's and his or her behaviour and attitudes. For example, even if the best professionals are recruited in public service, poor human resource management system such as unfair pay and promotions, makes it questionable to work effectively.

International experiences show that strategical, leading and implementing organizations play a significant role in implementing public service change and reform effectively and successfully and their close collaboration is crucial

## Conclusion

Since the adoption and implementation of the Civil Service Law in 1994, merit principles and career system development legislation were stated in relevant laws and regulations. Since the Civil Service Law enforcement, all the employees who were working in the civil service at that time swore the oaths and became core civil servants disregarding the requirements to be prepared by certain training before being selected and appointed to the position had some negative consequences for the development of the new civil service system. In other words, it led to the spread the practice of recruiting or firing core civil servants through political selection regardless of the principles and requirements of the new civil service system. This situation formed the basis of the appearance of spoils system (patronage system) in the civil service of Mongolia. In contrast, regardless of the qualifications of civil servants, changing positions under the name of changing structure and management of the organization became a common phenomenon, which has weakened the implementation of merit principle in civil service. These issues were the key basis for weakening the stable employment policy for ethical and qualified civil servants and this phenomenon is still being observed nowadays.

Before being selected and appointed to a position belonging to the category, a civil servant has attended and completed a set of qualification courses and after the appointment to a certain position, it is mandatory to attend short and mid-term trainings to improve professional knowledge and skills corresponding to the specifications and functions of that position. However, in nowadays practice individuals who don't have adequate training in ethics and qualifications are selected for civil service and after being appointed qualification training system is missing.

Based on the above-mentioned, in the practice of nowadays civil service, ethical, merit principles of the new civil service system and spoils system political party criteria's works simultaneously. If this situation persists and repeats in the next election, basic principles of the new civil service system be weakened, and the spoils system will be dominated.

In order that prevent further spread of the spoils system practice in civil service, which creates negative consequences in a democratic society, political parties should mutually agree to adhere to the generally accepted principles of civil



Ulaanbaatar.

The Government of Mongolia, (1991). Resolution No. 293, *Organizational system of human resource work structure of the Mongolian People's Republic*.

Samballkhundev, T., Batmend, R., Baigal, D., Buyanjargal, L., (2009). *Development of qualified civil servants: current situation and tendencies*, Research Report. Ulaanbaatar.

The Parliament of Mongolia. (1994). *Law of Mongolia on Civil Service*.

The Parliament of Mongolia. (2004). Resolution No.24. *Medium-term Strategy for Civil Service Reform in Mongolia*.

The Parliament of Mongolia. (2007). *Law of Mongolia on Civil Service* (Revision).

Tsedev, D., Baigal, D., Byambayar, Ya., (2019). *Traditions and Lessons from the Mongolian Civil Servant Training and Development*. United Nations Development Program.

Tsedev, D., (1997). *Development of Civil Service in Mongolia*. Shine Toli Journal 1997/1.