Guidelines on the reform of Public Administration

Industrial Plan

28 May 2008

Background

Modernizing Public Administration (PA) is a key issue for the Country as a whole, because of:

- The considerable "quantitative" aspects at stake against a backdrop of visible and severe competitive weakness of the economic system (it is estimated that a 10% increase in PA efficiency would result in a 2 percentage points rise of GDP).
- The specific characteristics of the Italian private undertaking (small-sized, family-owned, export-oriented, concentration in the manufacturing sector and in medium market segments, high input cost, etc..).

Within the Italian PA there is a latent and unspoken potential of productivity, which is extraordinary for its dimension and easy access, and whose use is an immediate responsibility of the Government, of the social actors, of the economic categories and of the whole civil society.

- On the one side, it is estimated that – in the medium term (3-5 years) – it is possible to increase productivity by 20%, thus generating economic resources for almost €40bn, without adverse effects in terms of social fabric and employment.
- On the other side, it is estimated that a steady rise in PA efficiency, in turn, would boost the private sector, whose cost system is today affected by an implicit, burdensome and uneven "bureaucratic inefficiency".

Preconditions

In order to outline a rapid and effective programme of restructuring, reorganization, and re-launching of the Italian Public Administration, a set of shared principles needs to be set out.

- If compared with the private sector, PA human capital is adequate on average or even better, according to some significant indicators such as enrolment percentage, proportion of women and “horizontal” distribution of competences.
- The salary scale is in line with that of the private sector (especially for entry positions), though it is characterized by a more favourable growth dynamics. However, the actual economic and legal position of civil servants entails no risk of dismissal, low mobility and an almost automatic career progression.
- Civil servants’ average productivity and public organizations’ average efficiency are extremely low, not only in terms of best practices consolidated in our western competitor countries, but also if compared with the private sector performance.
- The competitive deficit is due to inadequate organizational rules and structures: it is indeed the wrong models taken as a reference that generate the well-known perverse effects on resource distribution.
- It is necessary to introduce the role of the employer in the public sector, who can be held accountable for any “failure” of the Administration, similarly to cases of civil bankruptcy in the private sector.

Guidelines

Against this backdrop, we need to focus on some guidelines which are cultural in their nature:

- Shift from procedural subtleties to concrete actions, from procedural burdens to real outcomes, from individual functions and tasks to the whole process, from self-defence to accountability.
- Review administrations' productive process, with a view to obtaining benefits in terms of savings and enhancing customer-citizen satisfaction.
- Align public administrations' performance with the existing top performers and with well-known and usable international benchmarks.
- Frame management areas with concepts, guidelines and practices similar to the ones of the private sector in terms of independency, cost/benefit balance and deregulation of management.
- Transform the existing industrial relations model, myopic and at times even conspiratorial, into a proactive and participatory one (social partnership), able to stimulate the reorganization of civil service systems and a result-oriented use of human resources.
- Capitalize primarily on human resources, on their professional skills, motivations as well as their organizational and social skills.

Strands of the Industrial Plan

1. Optimising labour productivity

- Upgrading, improving and strengthening of the whole public goods and services is essential, in order to reach the international standards of administrative processes speed and quality of goods and services within the next 3-5 years.
- We have to introduce selection, evaluation and management systems in PA organization. They will be based on merit and transparency rather than on seniority and lobbying by political and trade unions forces.
- We have to recognize and reward talent and hard work while applying sanctions to civil servants who do not do their own duties. This will support the whole public sector productivity growth.

2. Reorganizing Public Administrations

- Regulatory and non-regulatory measures will be introduced. They will be aimed at rationalising the PA organization and at speeding up technological innovation.

3. Digitalizing Public Administrations

- Reorganizing the activities and competences of the Department for Innovation and Technology and of the National Center for ITC in the Public Administrations (CNIPA) is crucial, as they play a fundamental part in PA modernization, while re-launching its role as “control booth”.

1. Optimising labour productivity

Five guiding principles:

1. Reward merit.
2. Enhance the work of PA staff and appraise it through modern and transparent criteria.
3. Review rights and obligations of civil servants, restoring the dignity and reputation of this role and punish who debases it through misbehaviour.
4. Restore the role and tasks of managers of public administration.
5. Ensure that administrations are fully operational and enhance them through collective and supplementary bargaining, with a view to restructuring workplace conditions in line with high performance work systems.

1. Optimising labour productivity

Rewarding merit

- Only a merit based public administration can use its strength and credibility to promote meritocracy in the other crucial engines of the “social lift” and equal opportunities. An extraordinary enhancement of public service quality has to become a milestone of the new “merit-based policy”.

- In this respect, a set of measurement and assessment systems to evaluate public administrations will be put in place. They will ensure that goods and services offered comply with national and international quality standards, and will set out minimum shares of financial resources to reward merit and productivity.

- The balance sheet of each administration will play a crucial role, not only in terms of auditing transparency and legal accountability, but also in the evaluation of the overall efficiency of the administration itself.

- Management savings could be used to reward managers and civil servants (e.g. savings obtained from separate collection of paper waste in case of paper and energy consumption, etc..).

1. Optimising labour productivity

Staff appraisal

- A set of targeted and objective systems to measure and evaluate public administration performance will be established. It will be therefore possible to assess whether services to the citizen are based on timeliness and quality standards also set out at international level. The aim is to reward hard work and expertise of the individuals and of their respective administrations.

- Staff appraisal must be the engine of a fully-fledged public administration, together with merit rewarding, incentives, satisfaction of citizens and of the staff itself for its work and for the organization of the productive process it participate in.

- Data on evaluation of the individual administrations will be inspired by publicity and transparency, thanks to websites where citizens will be able to make proposals to enhance the system and communicate any fault or disservice.

1. Optimising labour productivity

Reviewing rights and obligations of civil servants

- Poor productivity and absenteeism also need to be tackled to make public administrations more efficient.
- This can be done by making the organization more flexible and assigning employees to areas where their skills prove to be productive; also, rules governing sanctions and accountability within public servant employment relationship are to be amended.
- More specifically, disciplinary proceedings need to be simplified and speeded up, especially when they relate to minor infractions.

1. Optimising labour productivity

Revaluing and enhancing the role and tasks of managers of the public sector

- Managers have to become the driving force in enhancing productivity and services quality. Under the new legal framework, their profile will align with that of private sector managers, as they will be entrusted with increased independence in human and financial resources management and with broad and targeted responsibilities for the organization of units and services.

- Management assessment has to be a cornerstone of the whole staff appraisal architecture. One of most important effects will be real wage differentiation for managers on the exclusive basis of merit.

- He/She will be in charge of monitoring the real productivity of employees assigned to him/her and will be held accountable for disciplinary violations he/she will not have promptly reported.

- There will also be a specific provision on managers' liability in case of failure to supervise the real productivity of human resources assigned to them.

- Another key principle will be a merit-based revision of rules governing access to top echelon managerial positions. The adoption of a regular assessment system (at least every six months) will facilitate the implementation of such principle.

1. Optimising labour productivity

Strengthening administrations' activity through collective and supplementary bargaining

- A set of measures aimed at speeding up bargaining procedures will be put in place to avoid past chronicle delays. More specifically:
  - Reduction of bargaining sectors.
  - Revision of the duration of the national collective labour agreements (CCNL), in line with the private sector.
  - Identification of regulatory criteria for supplementary agreements, with a view to ensuring their full adherence to the Institution's economic and financial condition and with the administration's overall performance.
  - Reorganization of the Italian Agency for Collective Bargaining for the Public Sector (ARAN), with a view to ensuring a rapid and even simultaneous definition of Agreements.
  - Enhancement of the power of representation of regions and local entities and revision of the bargaining system also in the light of fiscal federalism.
  - Introduction of a safeguard clause related to the duration of the agreements in case of overshooting of expenditure for national collective agreements.

- Moreover, the new guidelines provide for an enhancement of independence and responsibility of public employer in human resources management, giving him/her exclusive competence for staff appraisal, wage progression and reward of productivity and mobility.

2. Reorganizing Public Administrations

Four are the main guiding principles:

1. Task mobility.
2. Quality and *customer satisfaction.*
3. Optimum use of publicly-owned real estate.
4. Sponsoring and project financing.

Moreover, two "action plans" (not necessarily regulatory in their nature) have to be outlined and implemented based on best practices on public services rationalization at national and international level. They will be aimed at:

- Gaining back efficiency through structural improvements by reducing overheads, restructuring operational missions and their related processes, rationalising and condensing organizational levels and structures, streamlining the decision chain (reducing the number of managers and encouraging the access of new management support - multi skilled personnel).
- Generate instant cash profits, through the divestiture of non-essential portions of movable or unmovable assets.

2. Reorganizing Public Administrations

Task mobility

- Tasks and duties of central administrations are defined by law. However, sometimes it is necessary to re-organize the units responsible for the provision of services, and focus single administrations on basic functions. This entails reallocating functions among administrations (and among central and local levels of government) as well as between public administration and private sector.

- Career advancement must be free from favouritisms and seniority, also with a view to ensuring more creativity, innovation and independence of civil service. Public Administration has to become more educated and intelligent, ensuring an enhanced employee satisfaction and a more effective social partnership. Horizontal and vertical subsidiarity and task mobility are the main guiding principles of such process.

Quality and *Customer satisfaction*

- We need to enhance public services quality by promoting a management which strives for continuing improvement, standard-setting, satisfaction measurement and benchmarking.

- Recourse to excellence models based on self-assessment and continuing improvement (CAF-Common Assessment Framework) will be encouraged; Art. 11 of Legislative Decree 286/99, laying down public services quality standards, will be implemented; a set of tools for measuring and increasing satisfaction of public services' beneficiaries will be promoted; excellence practices will be enhanced and disseminated, also with the support of nationwide awards; benchmarking initiative among administrations will also be developed.

2. Reorganizing Public Administrations

Optimum use of publicly-owned real estate

- Public buildings have to host more activities than those originally planned. This will enable the provision of interlinked services to users, while using available human resources upon payment of an adequate salary.

Sponsoring and project financing

- Sponsoring and project financing will be supported and enhanced through a set of specific measures which are already established by law and which will be properly scheduled by government administrations. This will ensure financial resources are used for the following priorities: more revenue, more and new expenditure for new jobs (also temporary ones), increases in budget allocations to support staff and managers productivity.

- Sponsoring may also be aimed at the optimum use of publicly-owned real estate.

2. Reorganizing Public Administrations

The first "action plan" will focus on the following policy options:

- Cut back activities aimed at supporting instititutional work, concentrating and enhancing such support in unified specialized centres within the administration(s) (personnel recruitment & administration, competitions, accounting, treasury, assets and procurement, non-strategic communication).
- Re-shape organizational processes with a view to bringing them back to the core institutional tasks they stem from (from Pull to Push), thus eliminating those stages which are void of a proportionate added value by reengineering the overall procedural and administrative flow. The resulting savings, an estimated 20% of operational expenditure, could be allocated to administrations as a cost-reduction goal in a three-year period.
- Progressive aligning of all the administrations' organizational components with renowned internal top performers.
- Revision of purchasing policies according to the rationale and models of strategic sourcing. For example, administrations who do not purchase energy and telecommunication services upon identification of best offers and do not implement programmes of dematerialization and separate waste collection will be penalized.
- Transformation of Bodies and Institutions where economic services are provided, starting from social security and insurance ones, into limited liability companies or agencies. Though still State-owned in their nature, they will undergo an operational costs reduction as well as a simplification of management models and of client/user proximity schemes. Some administration can obtain funds, at least to some extent, by selling out secondary institutional services at market prices.

2. Reorganizing Public Administrations

The second "action plan" will focus on the following activities:

- Divestiture of residual portions of government buildings which are unused or underused, as well as of shares and debt securities which are not state-owned but nonetheless held by public administrations; conveyance of Institutions' non-core activities established within unproductive "company's branches".

- Rationalization of Administrations' peripheral branches and offices by concentrating and unifying facilities on the territory. Also, logistics needs to be qualitatively enhanced while reviewing its layout in the light of the new international standards and best practises on work organization and relationship with clients.

- Reengineering of branches and offices on the territory, abandoning the idea of physical facilities of peripheral areas. This will be achieved through an enhancement of telephone and computer links with clients - both Business to Business and Business to Consumers – through setting up synergies with other stakeholders (e.g post offices, banks) which are well widespread on the territory, thus divesting the smallest branches (having less than 20/30 employees).

3. Digitalizing Public Administrations

By means of regulatory, infrastructural and technological instruments available to date, the following guiding principles will have to be concretely implemented:

- A full sharing and interoperability of databases of various central and local administrations will need to become a reality. Public Administration will thus be able to act as a single interlocutor vis-à-vis citizens and companies.
- Citizens and companies will not be asked anymore to provide data which are already available to public administrations. As a consequence, the one-stop-shop system will have to become a generalized practice.
- Citizens shall be granted a single tool for access to health and tax services (personal identification code).
- Any service available in digital support shall not be provided in paper.
- Administrations abolish the use of paper (dematerialization).
- A call-center systems will guide citizens and businesses through new services.
- Citizens will resort to public services through a set of help lines that will ensure proximity and user-friendliness. To this end, networks ensuring total coverage will be competing and overlapping with one another.

Conclusions

1. The measures of the Industrial Plan will have to speak to all civil servants to:

- Refresh their mission and their commitment.
- Enhance their performance along with their remuneration.
- Pinpoint the value of their work as a service to the Republic and to democracy.
- Kindle hopes and energies for innovation and for the future.

2. Public administrations have to go back to their role as essential tools for the country's civil, social and economic growth.

3. The Minister wants to implement this plan not only through existing better regulation, but also through the structures under his supervision by re-focusing and renewing their mission, where necessary:

- Departments (Civil Service, Innovation and Technology)
- National School for Public Administration
- National Center for ICT in the Public Administrations (CNIPA)
- Italian Agency for Collective Bargaining for the Public Sector (ARAN)
- FORMEZ, Center for Studies and Training