

# Reforms in the Human Capital of the Public Administration – Italy in the Post Coronavirus Era

By

**Dr. Constantina Skenteri**

Professor at the Swiss School of Management, Rome, Italy

E-mail: konstandina1421@gmail.com

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## 1. Introduction

The last decades have witnessed an increasing necessity to invest in human capital development and upgrade human capital management. Nowadays, governments around the world are facing an enormous challenge: guiding people through a deadly pandemic that has killed hundreds of thousands, turned over the lives of billions more and led to economic disaster. In the midst of so much uncertainty, there are potential solutions to recover from the crisis and pave the way towards economic growth. Upgrading human capital in public administration represents one of the key reforms in response to relief and recovery from the crisis.

Modernization of work mindset and culture transformation does not happen overnight. Undoubtedly, it is a gradual process that takes time and dedication, in particular when taking into account the public sector - *“Rome was not built in a day”*.

This paper presents some insights on how to foster and modernize the administrative capacity in the Italian public sector.

## 2. The Necessity to Modernize and Upgrade Human Capital

This period of coronavirus crisis feels like unprecedented times. It is undoubtedly Italy's biggest crises since World War II. Before the pandemic, the country already had the Eurozone's highest public debt to GDP ratios after Greece. Throughout this rough time, it is not an easy task to resist and defeat the health, economic and social emergency.

However, we've seen other periods of high insecurity, anxiety and crisis. Humanity and nations, including Italy, have so far survived wars and epidemics, and will survive this one. The burst of coronavirus was an extraordinary unexpected event and cried out for equally extraordinary state-of-the-art response. Handling a country in such hard times, calls for making difficult decisions, taking effective actions associated with constructive-creative imagination, which will in turn lead to stability and sustainable development.

The government should have the willingness and courage to bring change, and get out of a classic-rigid format. It should be open and curious for new ways on how to recover. This crisis should be seen as an opportunity to reconstruct Italy and modernize the Italian public administration.

The state leads the society through the institutional apparatus. Life in most of its aspects - including social, economic, financial, protection, etc. - is led and controlled by the State through Institutions. For instance, this pandemic, confronted the health system, its mechanisms and specialists. In the same line, the economic recovery and change in every facet of the human mentality, after the pandemic, requires a strong support from the government and its institutions - that has already started in Italy.

It is necessary that the institutions enhance their performance and efficiency in order to be able to effectively respond to the changes of time. Thus, there is an urgent need for change in mentality and for enhanced professional capacities - prioritising the role of meritocracy. Human resources set in motion the institutions.

On the whole, these policy measures should represent a joint effort among the Italian Government and the European Union (EU), as well as all member countries in need of reforms. The EU plays an important role in shaping and bringing change in its member states. It is fundamental that EU supports, coordinates and facilitates the process of development in the human capacity. The supervision of the European Commission, in cooperation with international organizations like the Organization for Economic Co-operation and Development OECD, International Monetary Fund (IMF) and European Central Bank (ECB), would result in an orchestrated act at European level, applying similar actions and standards, but at the same time designing and adjusting policies specific for each country situation.

Indisputably, the improvement in human capacity would consequently lead to better management and efficient use of EU funds. In this vein, EU needs to take solid measures and concrete projects for profound reforms meant for the countries that lack behind, in order to keep pace and align with highly ranking countries.

Countries with deficiencies in public administration and governance could take examples and learn from most successful countries with enhanced public administration capacity. According to a report by the European Commission (2018), the top performing countries are the

Scandinavian countries Denmark, Finland and Sweden. Countries that follow closely behind are the Netherlands, the UK, Estonia, Austria, Ireland, Luxembourg, Germany and France. In contrast, the highest need for administrative upgrading appears in Romania, Greece, Croatia and Bulgaria but also in Italy, Cyprus, Hungary and Slovakia.

To sum up, the fight against coronavirus exposed an escalating need for governance and institutional flexibility, as well as speed in the decision making process. It uncovered the need to renew the work mindset and to transform the working culture by investing in human capital development and management, which will be the focus of this article.

### **3. The Levels of Human Capital Upgrading**

The upgrading of human capital is the product of a number of factors at different levels. The most important factors are: human resources - recruitment process and meritocracy; a skilled workforce - including both top level-managers and administration; the quality of education systems; job satisfaction and motivation systems; digitalization of public institutions; public policy on working mindset and environment; and finally, knowledge spillover from universities and industry.

#### **3.1 Human Resources – Recruitment Process**

Attracting, retaining and motivating employees is the key to success. **Meritocracy** in recruitment is crucial in attracting and retaining top employees, which will consequently lead to higher productivity and satisfaction.

The size of the Italian public sector is remarkable, ranking in top ten of the EU28 with a steady share of 50.4% of total expenditure as percentage of the GDP over the period 2010-2015 (European Commission, 2018). According to the Ministry of Economy and Finance (MEF), in 2015, the number of public employees working for the Italian public sector was approximately 3.23 million with a peak of 63% working for the central government and 24% for the regional governments. On the other hand, a small percentage of only 11.6% relates to the employment at local government level. The reports of the European Commission call for the need to downsize the number of employees in the Italian public administration.

A national competition published at Gazzetta Ufficiale, represents the first and main step that Italian citizens have to undertake in order to work for the public sector, followed by interviews to the selected candidates. However, a national competition seems to add very

little or no value, neither to the public institutions nor to the competitor candidates who mostly learn by heart the particular material provided. A “packed” competition can easily become a subject of bias and manoeuvring, hence an obstacle for meritocracy.

In contrast, the selection method could be only on an individual basis with the objective to determine whether and how the candidate can contribute to the specific position, as well as be useful and value-added to the institution. The material provided so far as a prerequisite for the national competition can be supplemented as part of the training process which follows the hiring process. The proposed steps for the recruitment process, equivalent to international standards, are as follows:

### **Steps for the Recruitment Process**

- Call for vacancy position
- Candidates fill in application form and write a covering letter
- Assemble interview panel
- Shortlist the candidates
- Best candidates attend the interview (including **psychometric test** to assess their mental ability and reasoning skills)
- Check candidate’s references
- Train new staff
- Probationary period (3-6 months)
- Offer a permanent post

The criterias should be standardized for all candidates, with a minimum level of education degree and English level required. To say nothing of, the supervision of the European Commission is essential to ensure the competency and efficiency of recruitment process.

### **3.2 The Transit “Bridge” from Old-Age Employment to Young Generation**

As expected, the productivity of an old-aged employee is much lower than that of a young worker. However, the former has experience, knowledge and know-how on the specific position. **Knowledge spillover** can take place when both parties work in the same environment, through a demonstration or imitation effect, as well as training provided by experienced employees to new entries.

Provided that in Italy, public employees (both male and female) can access their pension at an age of 66 years and seven months, an effective policy for **old-age employees** (above 63-64s), could be to **reduce the working time to 2-3 days a week, comprising of 4 working**

**hours per day.** The salary offered could be 60%-70% of the normal one. This would leave space and budget for the flow of fresh entry in the administration. There could be a pilot study in the initial phase including some governmental institutions leaving the option for participation of employees.

In general, the old generation should get prepared, during a transit “bridge” period of 2-3 years, that it is time to leave place and space to the new generation which is anew, dynamic and eager to work.

### 3.3 Skilled Workforce - Quality of Education Systems - Leadership

#### Skilled Workforce and Quality of Education Systems

Another important attractor for upgrading the system is a **skilled workforce** and the **quality of education systems**. In Italy, there is skills shortage and a growing demand for managers, engineers and scientists. Public authorities can shape policies to foster a skilled workforce by **improving and digitalizing education system** (high-schools and universities) and providing **trainings at different levels** (including teachers, professors, leaders/managers, as well as administration). Trainings can be offered by both local experts and foreign expertise provided by the European Commission.

In particular, enhancement of public education system implies going beyond theoretical approach and stimulating **critical thinking** in students, cultivating **emotional intelligence**, building their own set of beliefs and preserving their own minds. Regarding the teaching method and material used for the subjects, it is fundamental to highlight the importance of **relevance, adaptability, flexibility** and **creativity**. The objective of a teacher should be that students learn and improve, by making the class interesting, challenging and relevant. Teachers should not only transmit their knowledge but they should above all **create personalities**. Students should love going to high-school/university making it a context of education where learning comes through fun and entertainment, via teachers that respect and inspire them.

The government should create an **incentive system** to motivate teachers/professor perform their job well and simplify the hiring process (following the above mentioned guidelines). Teachers/professors should not take their position for granted. The government could implement an **assessment system** to evaluate the performance of teachers/professors every 5 years which will encourage their willingness to read, extend knowledge and update at a constant base. At the end of their career, teachers/professors shouldn't come out at the same level/knowledge as their started the career. They should

evolve with the same pace as reality/life does, and should adopt/match with the changes over time. Learning is a never ending process, at any age.

For instance, the burst of coronavirus saw classes shift to an online approach and exposed the difficulty of most high school teachers to adopt accordingly, use efficiently technology and successfully provide online classes.

## Managers | Leaders

The World Economic Forum (WEF) Annual Meeting (2017) held in Davos, Switzerland, brought together the world's top leaders from government, business, academia and international organizations. The top discussion subject was **Leadership** and **talent** as the future of Nations.

Leadership plays an essential role in the success of any institution/organization. It is an important function which helps to maximise efficiency and achieve the goals set by the institution. **The purpose of a leader is to drive employees towards the accomplishment of common goals.** Managers must possess characteristics of a leader.

*"The key to successful leadership today is influence, not authority"* (Kenneth Blanchard, 2010).

Managers at the top levels of the Italian public administration have to truly live the values of the institution/organization, fulfil their potential and give their best every day. Managers should have a number of integrated qualities (as mentioned below): **be honest; communicate a clear vision; give directions; be excellent role models; and show empathy, compassion and appreciation.** The use of psychometric testing during the recruitment process of a manager is important to assess how well managers align to the core institutional/organizational competencies.

## The Role of a Manager

- Leader
- Organiser
- Decision-maker
- Problem-solver
- Communicator
- Motivator
- Mediator
- Monitoring performance
- Role-model
- Goal-setting
- Giving Feed-back
- Staff-Appraisal

### 3.4 Job Satisfaction and Motivation Systems

Some important elements to address in job satisfaction and motivation systems include the following:

- Public institutions must show **commitment to people and challenge people**. People need to be challenged in order to drive job satisfaction.
- To create a **culture of respect and recognition**.
- **Personal reward and recognition** - moral and material including bonuses, based on personal contribution. Not as a group or as a whole, but individually.
- The importance of **End Result**: employee's **performance** has to be based on their **productivity** and end results (work done in office), and not on the time spent in the office.
- **Diversity and celebrating difference** - innovation comes through diversity. People of different nationalities can work for the government, provided that they meet the required qualifications.
- **Training in different levels and sectors**, including how to enhance teamwork and leadership.
- **Job priorities** have changed in the last decade, which has led to some necessary adjustments:
  - Keeping the approach of **smart working** even when the crisis will be over, including work from home once a week.
  - Higher demand for **flexibility** of working hours particularly for women (maternity leave). Possibility for entitlement of paternity leave.
  - The drive for **personal learning and growth**: Old-age employees, in Italy, often follow the mentality of seeking a stable long-term position in the same workplace keeping safe their comfort zone, which in turn hinders motivation for progress and improvement. However, nowadays young people do not expect to stay in the same workplace, or even doing the same type of work, all their lives anymore.

### 3.5 Digitalization of Public Administration

**Digitalization** of public working place represents one of the key elements in upgrading public administration. Italy could go digital and learn from countries like Denmark, Japan, Singapore and Australia that stand for top performing digital governments offering public services online at local and national level.

Digitalization will give a hand in reducing bureaucracy, turning things simple-clear-fast, and will eventually reduce the number of unskilled public staff, leading to a potential redundancy of at least 20-30%. Digitalization could also assist in the evaluation of the performance of public workers. The government could introduce a **transparent system of evaluation** where employees write their contribution, at the end of each month.

### 3.6 Public Policy on Working Mindset and Environment

The government should guarantee a healthy working environment, political stability, good public infrastructure, reasonable tax rates, and a stable updated legal system including the protection of intellectual property rights.

That being said, the government should improve the **speed and quality of services** provided by public institutions. Working for the public services shouldn't feel like a "privilege" or "leisure time", but a "duty". Overall, the government should reinforce the sense of responsibility and seriousness in the work place. Moreover, it should promote a working culture which encourages collaboration-sharing-giving-delegating that fosters productivity; and minimizes competition, envy and apathy.

If the main driver of public employees is to make money then the quality of services and public satisfaction is compromised. Instead, the government should inject the spirit of **"drive for success"** and **"love what we do"** and **"learn from the best"**, which in turn will bring money and benefits. Some characteristics that lead to success are: courage, charisma, dedication, knowledge, discipline, drive and imagination.

It is time to shift the mentality "working via suffering" to **"working via entertainment"**. Studies show that there is better end result and higher potential for success when employees enjoy their work environment and love their job.

Finally, the government should stimulate, promote and protect highly-skilled workers and brilliant minds by endorsing meritocracy, empowering them with responsibility and competences, and giving them personal moral and financial credit. It should also encourage top-level employees, who have the will to become entrepreneurs, to open their own small businesses. The government would be **better off to have outstanding employees for a short time rather than average ones forever**. It should support financially these high-performing employees by granting "soft" long-term loans with low credit, possibly with zero credit for the first year. Consequently, the government should promote fiscal policies to uphold the boost of small businesses in the region, as well as provide financial support and facilities to businesses in difficulty.

### 3.7 Knowledge Transfer from Research Universities and Industry

Public administration could have an indirect benefit from Multinationals (MNEs) operating in Italy through the diffusion of information and knowledge, known as **knowledge spillover**, to host country institutions. Most important receivers of this knowledge are universities or research centres. The general terms “knowledge diffusion”, “knowledge flows”, “knowledge spillovers” are commonly used in the literature. As a consequence, this knowledge can diffuse in public institutions when fresh graduates are hired to work for public administration, or when employees change their jobs and move from a multinational company to a public institution, transferring/diffusing their know-how and skills.

Knowledge flows generate knowledge externalities towards a research university or another company when the source (R&D performing foreign companies) is not fully compensated for the value of the knowledge flow. Literature confirms that there is knowledge flow also vice versa, from universities and research centers to innovative R&D performing MNEs.

It is important to recognize that modern research-universities are multi-product organizations with a set of functions and outputs. Government should come up with public policies that **support and promote modern universities and research centers**.

There are a number of studies that analyze the channels through which knowledge flows from universities to industries and public institutions (Cohen, et al., 1998; Colywas, et al., 2002; Shane, 2002).

These channels include:

- Personal networks of academic and industrial researchers
- Spin-offs of new firms from universities
- Participation in conferences and presentations
- Flows of fresh graduates to industry and public institutions

The above arguments advocate the fact that **universities significantly shape regional innovation systems**, serving two main functions for the allocated companies: first, they provide companies with qualified labour; secondly, they act as an open field for developing and testing new technologies. These two functions are closely interrelated.

## 4. Bella Italia – The Spirit of Culture, Art and Innovative Mind

As already described above, trying different kind of possibilities and experimenting different kind of policies could represent a potential efficient strategy to upgrade the Italian public administration. Certainly, in times of great challenge like now, you often find that some of your moves do not work, and others do. However, if the government fosters a new way of thinking and tactic, through brainstorming, and thinking outside the box by flourishing creative imagination, the possibilities for accomplishment are higher.

Attribute such as **innovative mind**, is a catalyst in bringing up success in designing and putting into operation state-of-the-art policies. **Creativity** represents one of the most crucial **intangible resources** Italians already contain to not only overcome this challenging period, but grow and thrive. Undeniably, Italy and its image go beyond pizza, pasta, wine and tiramisù. A number of important innovations - like radio, vespa, piano, battery, Ferrari etc. - have leaped from fertile Italian minds and assisted in technological growth worldwide. Italy was the third country in the world to operate its own satellite - San Marco Programme, after the Soviet Union and the United States.

On top of that, Italy is a **source of inspiration** for photographers, painters and artists. Italy is the definition of culture, art, architecture, music, glamour, luxury, exclusivity and style. It is the heart of fashion and birthplace of epic high fashion houses and luxury leather accessories. Decorated from north to south with historic cities, majestic mountains, wonderful lakes and spectacular places; remains captured in mind through unforgettable images. Italy will "seduce" you from the first moment and forever.

## 5. Conclusions

The resulting analysis of this paper sheds light on and identifies potential drivers of the reforms in human capital in the public administration in Italy, which is one of the main pillars of the Recovery Plan from the economic crisis. It points out the pivotal role of a skilled labour force, the role of meritocracy in the recruitment process, jobs satisfaction and motivational systems, enhancement of education system, digitalization and improvement of the public working environment, as well as knowledge spillovers that might arise from multinational companies and universities and research centres.

Finding effective ways to successfully implement new policies and procedures represents one of the next challenges of the Italian government and the European Union. Modernizing the Italian public administration started as a dream, the dream became an idea, and the idea will hopefully become reality in the post coronavirus era. If our dreams are not crazy, they are not good enough.

The quote of Winston S. Churchill can serve as an inspiration and direction towards a successful execution of the reforms: *“All the greatest things are simple, and many can be expressed in a single word: Freedom, Justice, Honor, Duty, Mercy, Hope.”*

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