



**Governo italiano**

*Presidenza del Consiglio dei Ministri*

# Modernization of the Public Administration

A new collective bargaining model  
for the public service





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# Main problems of civil service collective bargaining

- The gross wages (basic + additional wages) of civil servants show, from 2000 onward, a rate of growth far exceeding that of the private sector.
- Basic wages agreed at the national level increased in the public sector more than in the rest of the economy, and well above inflation. In addition, due to the universal diffusion of additional bargaining, the wage drift between basic and gross wages has been much wider.
- Furthermore, according to the past bargaining model (the so-called “Protocol 93”), while in the private sector the additional bargaining was constrained by the economic results, in the public sector there was no such a limit because of the lack of any indicators for effectiveness and efficiency and for financial sustainability.
- Finally, public sector collective bargaining has long been suffering significant delays. Differently from what happened in the private sector, expired agreements could take years to renew. Typically, new agreements were signed even after the expiration of their period of effectiveness (two years). This induced sizeable discomfort and insecurity in civil servants.



# The Government's decisions

- Well aware of these problems, which could not be addressed by the “Protocol 93” bargaining model, the Government has launched an action plan aiming at:
  - Closing all open basic wage agreements for 2006-2007 and defining all the basic, national wage agreements for the 2008-2009 period;
  - Strengthening the role of performance assessment, performance disclosure and customer satisfaction in the definition of additional wages;
  - Devising, and implementing starting from 2010, a structural reform of the collective bargaining system for the public sector.
  
- The first target has been accomplished in particular through the implementation of the Protocol signed by the Government and five civil servants Trade Unions (CISL, UIL, CONFSAL, UGL, USAE) on 30 October 2008 (Slide 3).
  
- In order to attain the second and third goals, the Government has introduced new norms, opened consultations with Trade Unions, and presented a draft enabling law (Slide 4, 5 and 6).



## Closing basic wage agreements

- In order to close the agreements for the 2006-2007 period, the Government has concluded within a short timeframe the pending civil servants agreements for the Presidency of the Council of Ministers and the Public Research. Such renewals have implied for 2008 an average increase of 0.4% on salaries for the whole public administration.
- Besides this move, the Government has signed on 30 October a Protocol with five Trade Unions which will have allowed to rapidly conclude the wage agreements for the 2008-2009 period, thus paving the way to the definition of a new bargaining model. The Protocol fixed for the 2008-2009 period a 3.2% wage increase and the closing of all pending civil servants agreements within the end of 2008.
- In addition, the Government has introduced a new norm allowing - without the *ad hoc* agreement previously needed - to assign, with the December 2008 wage, the so-called “Expired Agreement Allowance” (about a pro capite average of 165 Euro gross) to all employees.
- This package has implied a growth of the total basic wages by 4.1% in 2008 and an estimated 3.0% in 2009.



## Relating additional wage to budget performance

- In order to better relate the additional wage to the budget performance of the Administrations, the Government introduced some new norms with Law no. 133/2008.
- The Law provided a 190 million Euro reduction of additional bargaining funds as from 1 January 2009, applicable to the whole civil service. However, the law also provided for the creation of a new fund for additional bargaining with an initial allocation up to 160 million Euro. In addition, the fund will include savings deriving from savings on consultancies and contracts to civil servants.
- The Law also provided for a one-year suspension, for some categories of civil servants, of “complementary wage items” based on specific legislative provisions rather than on collective agreements. This measure involves approximately 330,000 employees. Starting from 2010, a great part of these funds will be allocated to the fund for additional bargaining, so to reward civil service based on merits and actual achievements. The 2009 cuts will be balanced by management savings.



## Devising a new bargaining model

- In order to solve the problems encountered with the application of “Protocol 93” bargaining model, the Government has devised and is ready to implement a new collective bargaining system.
  
- To reach this goal, the Government has:
  - Signed on January 22, 2009, together with all Italian employers’ organizations and all trade unions except CGIL, a framework agreement on a new bargaining model.
  - The new model is aimed at assuring a stricter link of additional wage to local and personal performance results, meanwhile enhancing the role of additional wage with respect to basic wage.
  - Signed on April 30, 2009, with all public employee trade unions except CGIL, a further agreement for implementing the framework agreement in the public sector.
  - Enacted, on October 27, 2009, a legislative decree (no. 150/2009) for enhancing labour productivity in the public sector, efficiency and disclosure in public administrations.



# The new bargaining model and the reform

- The main objectives of the “Brunetta reform” is:
  - To give new powers and responsibilities to public sector managers, in order to create incentives for them to behave like “public employers”.
  - To create some “functional equivalents” of private competition in order to spur productivity and continuous process and product improvement in the public sector.
  - The functional equivalents of competition identified by the reform are: information disclosure to the public, customer satisfaction, performance evaluation, individual rewarding and meritocracy.
- The new bargaining model implements a new three-year basic wage agreement and ensure effective incentives for a timely renewal of agreements.
- The decree no. 150 entails the reform of the Civil Service Bargaining Agency (ARAN) and of national and local collective wage agreements so to include a performance assessment of Administrations, managers and personnel.
- The amount of allocations for each Administration will be decided taking into consideration tangible results and actual management savings.
- Concerning the resource allocation for additional wages, the decree provides the obligation of distributing individual rewards on a three-step scale: a) 50% of all resources to the best performing 25% employees; b) 50% to the average performing 50% employees; c) nothing to the remaining 25% worse performers.