



CONSIGLIO REGIONALE  
DEL VENETO

# Public spending and federalism

The allocation of human and financial resources  
and the efficiency of Public Administrations

9 Quaderni di ricerca

9

March 2008

## Overview

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An efficient and effective Public Administration is one of the keys to the promotion of a Nation's competitiveness. A better allocation of the Public Administrations' human and financial resources undoubtedly contributes to improving the shape of public accounts while releasing resources for economic development. This survey by Unioncamere del Veneto tackles the issue of public expenditure as a follow-up of the approach launched with the publication of the Survey Paper on the issue of "The costs of non-federalism".

This research assesses the organisational structure of the Public Administration in Italy in comparison with Germany, our main partner in economic terms. The use of the German model in Italy could enable public expenditure savings for up to two percent of the GDP, namely over 26 billion Euro a year.

Carrying the comparison further, German public expenditure is not only well below the Italian one in absolute terms, but it is also allocated better: only 31.1% is allocated to fixed expenditure, while 68.9% is investment expenditure, unlike Italy where 43.8% relates to fixed expenditure and just 56.2% to investment expenditure.

The inefficiency of the Italian public spending mainly emerges in the central government and in the regions that still work along the lines of "historical costs" rather than of standard costs. This possibly also explains the drop in the average expenditure in regions and local authorities while at Ministerial level staff and internal costs have rapidly grown between 2000 and 2007 by 24% and 20% respectively!

The figures on efficiency are particularly striking: Local bodies manage 36-37% of the overall public expenditure and account for 42% of the staff employed in the public sector while the central State takes up 24% of resources but accounts for over 56% of the available staff.

As was revealed in the survey on the costs of "non-federalism", Italy is affected by the delays in the implementation of the reform provisions of Title V of the Italian Constitution. However there are other issues to be borne in mind. On the issue of tax equalisation, Italy lags far behind other Countries that adopt a federal system.

Data show that the redistribution implemented by the Italian State is twice as high as that recorded in Spain and three times the German figure. This strategy weighs heavily upon the expenditure capacity of the most virtuous regions.

This inevitably leads to two questions: are we facing a situation of fair competition between European regions or is there a clear disproportion that has not, as yet, been unveiled by the Community Authorities? How can our firms compete in a global market in a situation of clear fiscal disadvantage and inequality?

We trust that this dossier will also set the concrete and credible bases on which to formulate answers and look for solutions, to move towards a comprehensive federalist reform of the Italian State.

Venice, March 2008

Federico Tessari  
*President of Unioncamere del Veneto*

## Preface

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In November 2007, the Council of the Veneto Region, in association with Unioncamere del Veneto, established a Regional Observatory on Federalism and Public Finances to monitor the progress of institutional decentralisation in Italy, gain knowledge on how to rationalise and save on public spending and develop research for the establishment of a more favourable environment for the development of businesses- for which the level of taxation and the effectiveness and efficiency of public expenditure are two fundamental growth parameters.

This survey is the first outcome of the activities performed by the Regional Observatory on Federalism with the support of the Veneto's Regional Ministry for Economic and Institutional Policies and has quite aptly been developed under the section focussing on the costs of "non-federalism".

I think it is important to emphasise three important issues.

Firstly, the Italian Constitution and more specifically the reformed Title V of the Constitution does not depict Italy as a Federal State, but as a State organised on a regional basis (as stated in Constitutional Court Sentence no. 365/07 rejecting the law of the Region of Sardinia on the new Statute of the Region of Sardinia);

Secondly, if the aim really is to save on the costs of bureaucracy, then the latter must definitely be cut at Ministerial level. Indeed the costs borne by Local bodies, such as the Mountain Communities, Provincial Districts and Regions, account for just 0.2%, 1.7% and 1.2% respectively of the total public expenditure, while the Ministries account for 54.6%.

Finally, real federalism will never be achieved unless the so-called "federalism of the civil service" is enacted, namely the relocation of staff from the centre to the local level; indeed, 54% of Italian civil servants are employed by the Ministries while in Germany - a Federal State that the survey takes as a model of excellence - only 11% of civil servants work in the central government, while the remaining staff is distributed among the Länder and the local authorities.

Although this survey brings many more examples, even these three aspects alone prove that it is essential and urgent to cross the bridge that holds us pending between a short-sighted and draconian centralised system and a form of federalism that has not yet been enacted but which is already being proclaimed or blamed as the source of our Country's many ailments.

Venice, March 2008

Marino Finozzi  
*President of the Council of  
the Veneto Region*

## Preface

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This report provides a constructive and interesting follow-up to the successful joint work recently performed by the Veneto Region and Unioncamere del Veneto on the sensitive and very topical issues of federalism, the fiscal burden and public spending that strongly affect the competitiveness of the economic system of Veneto and other Italian regions.

We are firmly convinced that, rather than advocating the so-called solidarity between wealthier and less wealthy regions, we should emphasize the diversity that so strongly characterises Italy as a nation: is the best mean for promoting the Country's overall growth and development.

The survey nevertheless proves that our Country is still far not only from achieving a real transfer of competencies from the Central State to the local authorities (in fact, 54% of civil servants are still employed by the Ministries against the 11% of civil servants working for the central government in Germany, where federalism is a reality), but also from achieving any form of solidarity that goes beyond a simple form of state aid and that is based on the standardisation of costs rather than on historical data.

The results are clear for all to see: a waste of public resources in terms of distribution of competences between central government, regions and local authorities and, more importantly, extremely high levels of public spending (over 50% of the GDP) allocated almost exclusively to running expenses (almost 90%).

Figures and data proving that Veneto is a top performer at national and European level both in the field of business and Public Administration are of little comfort. Unless the general situation of the Country and the same organisation of the public machinery changes, it will be hard for Veneto and the other virtuous regions to keep their high levels of competitiveness.

It is therefore up to all of us to work to ensure that the strategies for the development and management of public assets in our region will continue to improve, to become a model for the rest of the country and to provide for the full and timely implementation of the recently approved reform of Title V of the Constitution.

Venice, March 2008

Fabio Gava  
*Regional Minister for  
Economic and Institutional Policies*

This survey was sponsored and completed by Unioncamere del Veneto together with the Council of the Veneto Region in the framework of the Regional Observatory on Federalism and Public Finances, with the support of the Veneto Region's Ministry for Economic and Institutional Policies.

The planning of the survey, in addition to the collection, processing and assessment of the data is the result of the work performed by the team co-ordinated by Gian Angelo Bellati, Director of Unioncamere del Veneto; team members are Serafino Pitingaro and Grazia Sartor of Centro Studi Unioncamere del Veneto, Alberto Cestari, Catia Ventura and Andrea Favaretto of Centro Studi Sintesi.

This report was prepared by Centro Studi di Unioncamere del Veneto, with the support of all the team members.

A special acknowledgement goes to the members of the Regional Conference on Economic and Labour Trends of the Council of the Veneto Region for its participation in the meetings of the working platform dedicated to the issue of federalism, to the Surveys Department (Servizio Studi) of the Council of the Veneto Region and the Veneto Region's Ministry for Economic and Institutional Policies.

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# Introduction

by Gian Angelo Bellati\*

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Generally speaking, the level of public spending in Italy is high: in 2006, the expenditure of the Public Administrations accounted for over 50% of the GDP and the recorded growth exceeded the figures for 2005 by two percentage points. Running expenses account for almost the full amount of public spending (44.5% of GDP), leaving but a marginal role to outlays for investments (6%). In addition, an important part of the national wealth (about 4.5% of GDP) is allocated to cover interest on the national debt: the weight of these interests on the GDP is even 2-3% higher than that of Italy's main European competitors. In other words, the growth of the national debt resulting from the accumulation of the yearly deficit leads to new charges that deprive the Country of precious resources for its development.

Yet it is not simply an issue of "how much" is spent: the already bulky machinery of Italian public finances is further aggravated by the insufficient "quality" of its public spending. The so-called 'qualitative' deficit is one of the main sources of the excessive levels of expenditure in the Public Administrations (PAs): this problem has been emphasised several times by the Court of Auditors and more recently in the Green Paper on public spending. The latter listed the main issues that hinder public resources from more specifically targeting the citizens' real needs:

- a) the inflexible nature of the national budget that provides for compulsory expenses for up to 90% of the total expenditure;
- b) the remarkable weight of expenses for staff (approximately 25% of budgetary expenses);
- c) the little effectiveness of administrative actions;
- d) the incomplete application of the principle of accountability.

Add to all these issues the failure to implement fiscal federalism and the provisions of the latest version of Title V of the Constitution. The report prepared by Unioncamere del Veneto<sup>1</sup> emphasised that in Federal States running expenses are proportionally lower than those in centrally-organised Countries. The full implementation of the autonomy envisaged in Title V would promote the better allocation of public resources amongst the different government levels, enabling a clearer focus on issues of efficiency. The theory of federal systems argues that bringing the management of public spending and the collection of resources closer to the citizen gradually strengthens the bonds between the latter and public administrators, thus enabling tax payers to directly assess whether the level of taxation is justified or not by the quality of the services provided. This would also enable savings in terms of resources as public administrators would take greater care in the management of public finances, as the growth of the fiscal burden without any benefits in terms of services would penalise them at election time.

The survey considers Italy as a country half way between a central and a

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<sup>1</sup> Unioncamere del Veneto (2007), *The costs of "non-federalism"*, Quaderni di ricerca n.8.

federal system, although the most correct definition is a “State of regions” (despite the 2001 reform assigning equal institutional standing to the State, Regions, Provincial Districts, Municipalities and Metropolitan Cities). At least formally, the progress made has been significant; however it is necessary to emphasise that Italy is not a Federal Country. We are reminded of this by the Constitutional Court that in a recent sentence actually put a stop to any form of governance other than the regional organisation envisaged by the current constitutional mechanism. The Court’s ruling is unequivocal: its position must be taken into account, as it can help understand the current organisation of the institutions in Italy. Nevertheless, the choice of the federalist system as a means to improve efficiency and improve the quality of public spending has not been undermined.

Public spending, efficiency, federalism: these are the issues that this report will take into greater depth and its assessments will highlight the correlation between the three. The survey will also briefly tackle some elements that will provide a useful key for the interpretation of this system: it has no pretence of providing a solution for all the critical issues that will be identified, but simply to add a contribution to the endeavour to reorganise and reform public spending in Italy and the institutional mechanism overall.

The comparison with other nations will help outline the critical issues of the Italian public system: more specifically, the comparison with Germany and Spain - that represent possible models for the federalist reform and for other institutional choices - supplies some interesting points for the discussion, especially in reference to the distribution of civil servants and the quality of expenditure.

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<sup>2</sup> Constitutional Court sentence no. 365/07 rejected Law no. 7 passed by the Region of Sardinia on 23 May 2006 7 (“Establishment, competences and regulations of the Council for the new Statute on the Autonomy and Sovereignty of the Sardinian People”), having regarded it in contrast with the Special Statute for Sardinia (cf. Sole 24 Ore of 8th November 2007).



## Chapter 1 Staff employed in the Public Administration

### 1.1 Overview of the situation in European Countries

Public Administrations achieve (or try to achieve) their institutional objectives through an essential tool: their staff. In other words, any assessment of the efficiency of public spending must necessarily take into account the contribution of human resources. However, the recourse to civil servants differs greatly amongst the main European countries, in terms of numbers but also - and most importantly- in terms of quality.

The distribution of staff amongst the various levels of government is extremely different: **in Italy, 56% of civil servants work in the Central Government bodies, leaving the remaining 44% to be distributed between the Local Bodies (Regions, Health Boards, Provincial Districts, Municipalities).** Compared to the average in the main EU countries, Italy emerges as one of the most “centralised” States, although it does not reach the levels of centralisation of Ireland, Portugal and Greece, where the central state employs over 80% of the total number of civil servants. However, the fact that Italy is well behind the Federal States, **Germany and Spain above all, cannot be disregarded: in Germany, only 11% of civil servants are employed in the Central Government, while in Spain the percentage stands at 38%** (Tab 1.1 and Graph 1.1).

|                | Central Administrations | Local Administrations |
|----------------|-------------------------|-----------------------|
| Ireland        | 88                      | 12                    |
| Portugal       | 83                      | 17                    |
| Greece         | 83                      | 17                    |
| Netherlands    | 74                      | 26                    |
| France         | 70                      | 30                    |
| United Kingdom | 60                      | 40                    |
| Italy          | 56                      | 44                    |
| Austria        | 42                      | 58                    |
| Spain          | 38                      | 62                    |
| Sweden         | 26                      | 74                    |
| Finland        | 24                      | 76                    |
| Belgium        | 23                      | 77                    |
| Denmark        | 22                      | 78                    |
| Germany        | 11                      | 89                    |
| Average        | 50                      | 50                    |

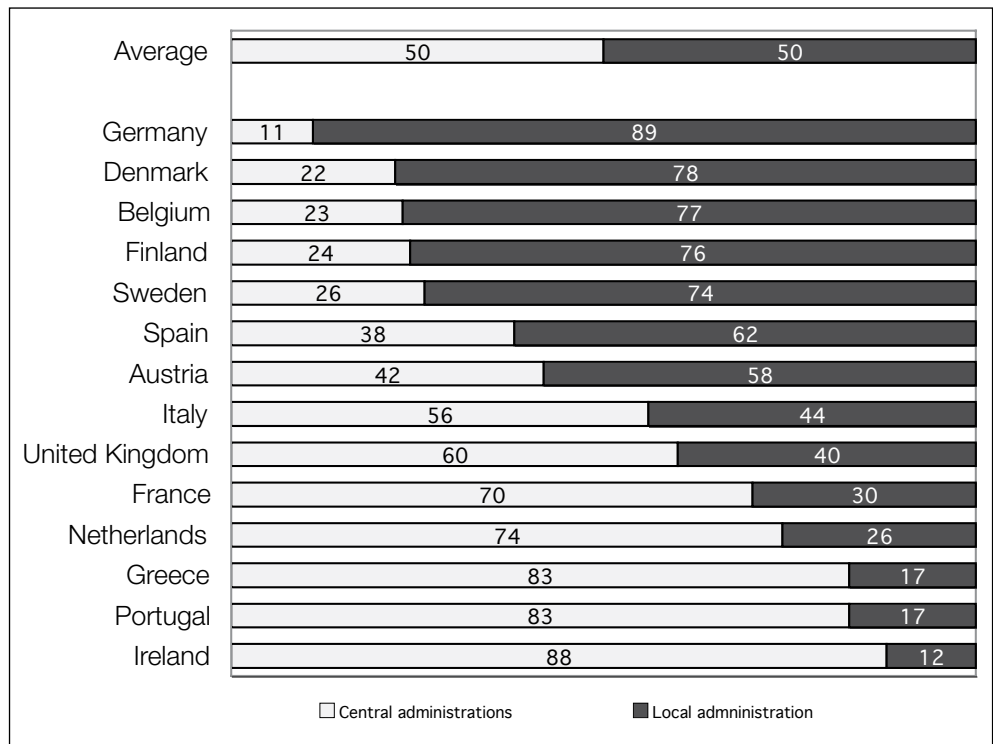
*Processed on data supplied by Dexia-Crediop*

**Table 1.1** Staff employed in the Public Administrations in some EU States (% breakdown by level of government)

### 1.2 Number of staff employed in the civil service in Italy

In 2006, the Italian Public Administration (data supplied by the Italian Statistical Office - Istat) employed over 3.6 million staff, with a 1.8% increase against 2001. All areas were affected by this growth, except for the Social Security Bodies,

**Graph 1.1.** *Staff employed in Public Administrations in some EU States % breakdown by level of government*



Processed on data supplied by Dexia-Crediop

although the limited number of staff employed in this area makes it rather marginal for statistical purposes (Tab. 1.2).

**The number of civil servants employed in Central Administrations grew by 1.6% compared to 2001**, while the overall figure for Local Administrations shows a 2.1% increase. It is not by chance that we chose to compare figures with the data for 2001 since that year represents the watershed in the institutional organisation of the Italian Republic, at least from a formal point of view. Despite the new approach underlying the allocation of administrative functions (first to Municipalities, followed by other levels of government) endorsed by the 2001 institutional reform, the overall organisation of the civil service has remained broadly unchanged. The increase in the number of employees on the local level has been flanked by a concurrent decrease in the civil service in Central administrations. However, it must be emphasised that the increase in locally employed staff is mainly ascribable to health authorities (+1.2%), while the Regions (Health Boards excluded), Provincial Districts and Local authorities show a clear reverse trend (-1.4%)<sup>3</sup>.

The breakdown of civil servants per level of government has already been highlighted and places Italy amongst the so-called “centralised” States. This scenario is confirmed by the figures in table 1.3, considering that, in 2003, 56.1% of employed staff (both permanent and fixed-term) was assigned to the Central administrations (almost all to the Ministerial machinery). The slight increase (from 41.9% in 2001 to 42.3% in 2003) recorded for the Local Administrations is mainly ascribable to Health Boards and Hospitals that account for almost 20% of all staff employed in the public sector.

<sup>3</sup> To complete the provided information, please note that in 2000 so-called A.T.A. staff (auxiliary, technical and administrative staff) was transferred from Local Administrations to the Ministry of Education.

**Table 1.2.** Work units in Public Administrations (thou.)

|  | 2001         | 2002         | 2003         | 2004         | 2005         | 2006         | Var.%<br>2001-06 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|------------------|
| Central administrations                  | 2.019        | 2.035        | 2.048        | 2.039        | 2.050        | 2.052        | 1,6              |
| of which: Central Government             | 1.974        | 1.990        | 2.004        | 1.995        | 2.006        | 2.008        | 1,7              |
| Local administrations                    | 1.492        | 1.502        | 1.511        | 1.517        | 1.523        | 1.523        | 2,1              |
| of which: Regions, Provincial Districts, | 639          | 636          | 632          | 629          | 630          | 630          | -1,4             |
| of which: Local health authorities       | 691          | 693          | 697          | 700          | 700          | 700          | 1,2              |
| Social Security Authorities              | 58           | 57           | 59           | 58           | 58           | 57           | -1,2             |
| <b>Total Public Administration*</b>      | <b>3.569</b> | <b>3.595</b> | <b>3.619</b> | <b>3.615</b> | <b>3.631</b> | <b>3.632</b> | <b>1,8</b>       |

(\*) conscripts excluded

Please note: In addition to the State, the Central administrations include other Public Bodies working in the field of the Economy, Healthcare and the Sciences.

Processed on data supplied by ISTAT

This means that the Central administrations take up most of the civil servants: however, the expenditure managed by these structures does not even account for 25% of total public spending.

It is crucial to further investigate the nature of aggregate public spending, in consideration of the fact that this item is stated before any costs incurred for interests payable (primary expenditure) and takes into account the transfer of resources towards other areas of the PAs, to which we must also add the resources collected by other Public Administrations. For example, the data relating to Central Administrations does not include transfers to local authorities, financing for the health sector or resources allocated to Social Security Bodies<sup>4</sup>. This aggregate figure must then also include the transfers collected by Local Administrations and Social Security Authorities. This justifies the special attention applied to the assessment of data concerning Social Security Bodies: the expenditure for this area of the public service is basically associated to the provision of social security services, so that the limited size of staff (some 57 thousand) is justified by the fact that these Bodies' tasks are limited to the management and distribution of pensions.

Hence, we must mainly focus our attention onto Local and Central Administrations. Summarising, **Local Bodies manage about 36-37% of overall public spending and employ some 42% of civil servants; while the Central state accounts for a smaller portion of public spending in comparison with Local Administrations (approximately 24%), but accounts for over 56% of the available staff.**

The comparison between different levels of government, even within one and the same Country, is always rather tricky, also due to the different competences assigned to each level (in turn not always easy to quantify or "measure"). However, what basically emerges is that there is a struggle for power between the public sector's two main cores, with the Central Government holding strenuously onto its prominent and guiding role in the Italian PA. The prevalence of the central State is easily perceived through Table 1.4 that shows the detailed breakdown of civil servants per area. 54.6% of permanent staff works in Ministerial Offices, while the other sections of the Italian PA account for the remaining portion. More specifically, 19.2% civil servants are assigned to the healthcare sector, 12.4% work in Italy's over 8,100 municipalities, while just 1.6% and 1.2% are employed in Provincial Districts and Regions respectively.

<sup>4</sup> These resources (financed by general taxation) are needed to balance the social security system: indeed, the social security contributions alone collected by bodies such as INPS are not enough to ensure the provision of pension-related services.

The data prove, or rather confirm, the vertical structure of the PA, with the Ministries governing the whole mechanism. In addition, the figures reveal that a cut in staff employed in local authorities – e.g. in Provincial Districts or Mountain Communities - would definitely not solve the problem of an excessively high public spending in Italy, as most civil servants are employed centrally.

**Table 1.3.** Staff and expenditure of Public Administrations by level of government (Percentage breakdown)

|   | Staff employed at 31.12 (1) |                  |                  | Public spending (2) |                |                |
|---|-----------------------------|------------------|------------------|---------------------|----------------|----------------|
|   | 2001                        | 2002             | 2003             | 2001                | 2002           | 2003           |
| <b>Central administrations</b>                        | <b>56,4</b>                 | <b>56,3</b>      | <b>56,1</b>      | <b>23,9</b>         | <b>23,7</b>    | <b>24,5</b>    |
| Ministries and Presidency of the Council of Ministers | 54,9                        | 54,8             | 55,0             |                     |                |                |
| Constitutional Bodies                                 | 0,3                         | 0,3              | 0,2              |                     |                |                |
| Other Bodies reporting to the Central Administration  | 1,2                         | 1,2              | 1,0              |                     |                |                |
| <b>Local administrations</b>                          | <b>41,9</b>                 | <b>42,0</b>      | <b>42,3</b>      | <b>36,9</b>         | <b>37,1</b>    | <b>36,1</b>    |
| Autonomous Regions and Provincial Districts           | 2,5                         | 2,5              | 2,5              |                     |                |                |
| Provincial Districts                                  | 1,5                         | 1,6              | 1,6              |                     |                |                |
| Municipalities  | 13,6                        | 13,5             | 13,3             |                     |                |                |
| Local Health Authorities and Hospitals                | 19,7                        | 19,6             | 19,9             |                     |                |                |
| Other Bodies reporting to the Local Authorities       | 4,6                         | 4,8              | 4,9              |                     |                |                |
| <b>Social Security Authorities</b>                    | <b>1,7</b>                  | <b>1,7</b>       | <b>1,6</b>       | <b>39,2</b>         | <b>39,2</b>    | <b>39,4</b>    |
| <b>Public Authorities (3)</b>                         | <b>3.547.057</b>            | <b>3.547.307</b> | <b>3.540.496</b> | <b>659.075</b>      | <b>680.335</b> | <b>717.877</b> |

(1) Permanent and fixed-term staff; (2) Public spending net of interests payable and of transfers between Public Administrations; (3) Staff in units; expenditure in million Euro.

Processed on data supplied by ISTAT

**Table 1.4.** Breakdown of permanent civil service staff by type of body/institution - Year 2006

| Body/Institution   | Numbers          | % Breakdown   |
|--|------------------|---------------|
| MINISTRIES   | 1.851.126        | 54,59         |
| LOCAL HEALTH BOARDS  | 651.780          | 19,22         |
| MUNICIPALITIES   | 420.915          | 12,41         |
| UNIVERSITIES   | 116.075          | 3,42          |
| PROVINCIAL DISTRICTS   | 57.033           | 1,68          |
| AGENCIES   | 54.933           | 1,62          |
| SOCIAL SECURITY AND HEALTHCARE BODIES                        | 50.933           | 1,50          |
| REGIONS WITH SPECIAL STATUTE STATUS                          | 45.849           | 1,35          |
| REGIONS  | 39.424           | 1,16          |
| RESEARCH CARE CENTRES AND HOSPITALS                          | 18.820           | 0,55          |
| RESEARCH AND EXPERIMENTATION INSTITUTIONS                    | 13.342           | 0,39          |
| OTHER BODIES   | 9.709            | 0,29          |
| CHAMBERS OF COMMERCE, INDUSTRY, ARTISAN WORK AND AGRICULTURE | 8.212            | 0,24          |
| ENVIRONMENTAL PROTECTION AGENCIES                            | 7.802            | 0,23          |
| MOUNTAIN COMMUNITIES   | 7.554            | 0,22          |
| CONSTITUTIONALLY RELEV. BODIES                               | 5.423            | 0,16          |
| TEACHING HOSPITALS   | 4.675            | 0,14          |
| FORMER IPAB  | 3.868            | 0,11          |
| AUTOMOBILE CLUB  | 3.707            | 0,11          |
| CONSORTIA, ASSOCIATIONS, DISTRICTS                           | 2.857            | 0,08          |
| REGIONAL BODIES FOR AGRICULTURAL DEVELOPMENT                 | 2.850            | 0,08          |
| IACP/ATER/ALER/ARTE  | 2.637            | 0,08          |
| BODIES FOR THE RIGHT TO STUDY                                | 2.460            | 0,07          |
| EXPERIMENTAL ZOO-PROPHYLACTIC INSTITUTIONS                   | 2.328            | 0,07          |
| UNIONS OF MUNICIPALITIES                                     | 1.496            | 0,04          |
| OTHER REGIONAL BODIES  | 1.494            | 0,04          |
| AUTONOMOUS STATE COMPANIES                                   | 1.397            | 0,04          |
| NATURAL PARKS AND ENVIRONMENTAL PROTECTION BODIES            | 1.028            | 0,03          |
| TOURIST BOARDS AND COMPANIES                                 | 959              | 0,03          |
| WATER BOARDS   | 245              | 0,01          |
| OBSERVATORIES  | 72               | 0,00          |
| <b>TOTAL</b>   | <b>3.391.003</b> | <b>100,00</b> |

Processed on data supplied by the General Accounting Office

### 1.3 Geographical breakdown

What has been assessed up to now reveals that the majority of civil servants are employed in the central administration; a more detailed research on the geographical distribution reveals a strongly heterogeneous situation.

In Italy, in 2006, there were 5,716 permanently employed civil servants every 100 thousand inhabitants: this figure exceeds the figures for 2002 by about 23 units per 100 thousand inhabitants. In consideration also of the issues highlighted earlier in the text, it is clear that this trend is mainly ascribable to Ministries (+ 141 employees every 100 thousand inhabitants), while a remarkable decrease was recorded in Municipalities, Health Boards and ordinary Regions (Tab 1.5).

| Area ***                          | Municipalities | Provincial Districts | Ordinary Regione | Special Statute Regione | Health | Ministri | Totale Pubbl. |
|-----------------------------------|----------------|----------------------|------------------|-------------------------|--------|----------|---------------|
| <b>North</b>                      |                |                      |                  |                         |        |          |               |
| 2002                              | 790            | 88                   | 55               | *                       | 1.248  | 2.315    | 5.057         |
| 2006                              | 708            | 84                   | 50               | *                       | 1.179  | 2.450    | 5.108         |
| Variation North                   | -82            | -4                   | -5               | n.c.                    | -70    | +135     | +51           |
| <b>Centre</b>                     |                |                      |                  |                         |        |          |               |
| 2002                              | 846            | 117                  | 84               | -                       | 1.171  | 3.645    | 6.723         |
| 2006                              | 745            | 117                  | 80               | -                       | 1.124  | 3.772    | 6.643         |
| Variation Centre                  | -102           | -1                   | -4               | -                       | -47    | +127     | -81           |
| <b>South and Islands</b>          |                |                      |                  |                         |        |          |               |
| 2002                              | 754            | 96                   | 95               | *                       | 1.033  | 3.455    | 5.938         |
| 2006                              | 683            | 102                  | 81               | *                       | 1.002  | 3.627    | 5.992         |
| Variation South and Islands       | -71            | +6                   | -14              | n.c.                    | -31    | +172     | +54           |
| <b>Ordinary Regions</b>           |                |                      |                  |                         |        |          |               |
| 2002                              | 764            | 98                   | 88               | -                       | 1.153  | 2.960    | 5.632         |
| 2006                              | 680            | 97                   | 73               | -                       | 1.101  | 3.089    | 5.611         |
| Variation Ordinary Regions        | -84            | -1                   | -                | n.c.                    | -52    | +129     | -21           |
| <b>Special Statute Regions</b>    |                |                      |                  |                         |        |          |               |
| 2002                              | 918            | 91                   | -                | *                       | 1.171  | 3.088    | 6.024         |
| 2006                              | 852            | 93                   | 34               | *                       | 1.133  | 3.295    | 6.299         |
| Variation Special Statute Regions | -66            | +2                   | -                | n.c.                    | -38    | +206     | +275          |
| <b>Italy</b>                      |                |                      |                  |                         |        |          |               |
| 2002                              | 788            | 97                   | 75               | *                       | 1.156  | 2.980    | 5.693         |
| 2006                              | 706            | 97                   | 67               | *                       | 1.106  | 3.120    | 5.716         |
| Variation Italy                   | -82            | -0                   | -8               | n.c.                    | -50    | +141     | +23           |

**Table 1.5.** Civil servants every 100 thou inhab. Permanently employed civil servants

(\*) These averages were not calculated due to the absence of data for Sicily.

(\*\*) The total for the Public Administrations includes other public bodies not shown in the table. Processed on data supplied by the General Accounting Office.

(\*\*\*) Any errors in the absolute variations are due to rounding off.

The most significant figure shows the greater concentration of civil servants employed in regions with special statute status in all areas of the PA: in fact, it would be normal to expect the incidence of staff reporting to the centre in Special Statute Regions to be lower than that recorded in Ordinary Regions. The data in the table partly confutes this statement, since, overall, the Autonomous Regions employ on average 3,295 Ministerial civil servants every 100 thousand inhabitants against 3,089 in Ordinary Regions. In other words, although the organisation of public powers in Autonomous Regions envisages a reduction of the presence of the central state - thus assigning more competences to the regional authority - there is in fact a greater concentration of Ministerial staff compared to Ordinary Regions.

The aggregate figures for the Special Statute Regions reveal that the Bodies in Southern regions employ a higher percentage of Ministerial Staff. Over 3,700 central government staff (over 100 thousand inhab.) work in Sardinia, almost 3,600 in Sicily, 3,596 in Friuli, whereas Valle d'Aosta and Trentino-Alto Adige

record figures for Ministerial Staff below the average, namely 1,260 and 991 units respectively every 100 thousand inhabitants (Tab. 1.6 and 1.7). The latter two regions are those that more closely meet the performance of Federal States. The percentage of central staff does not exceed 18% of the total, leaving most employees to the Local administration: the results in terms of efficiency and quality of the use of public resources is achieved also by decentralising civil servants.

Other results emerging from these tables include the data showing that the area that employs most civil servants is Central Italy (as was to be expected) and that this “supremacy” is recorded in all areas of the Italian PAs except for the Health Boards where the figures for Northern Regions are higher.

**Table 1.6.** *Civil servants employed every 100 thousand inhabitants\**  
(Permanently employed civil servants)

|                         | Municipalities | Provincial | Ordinary Regions | Special Regions | Health Boards | Ministries | Total Pub. Adm.** |
|-------------------------|----------------|------------|------------------|-----------------|---------------|------------|-------------------|
| PIEDMONT                | 812            | 109        | 74               | -               | 1.287         | 2.406      | 5.210             |
| VALLE D'AOSTA           | 1.327          | -          | -                | 2.497           | 1.619         | 1.138      | 7.447             |
| LOMBARDY                | 739            | 78         | 44               | -               | 1.072         | 2.162      | 4.510             |
| LIGURIA                 | 1.032          | 127        | 73               | -               | 1.388         | 3.045      | 6.528             |
| TRENTINO-ALTO ADIGE     | 992            | -          | -                | 890             | 1.534         | 788        | 4.613             |
| VENETO                  | 634            | 72         | 67               | -               | 1.290         | 2.422      | 4.886             |
| FRIULI VENEZIA GIULIA   | 909            | 83         | -                | 256             | 1.422         | 3.047      | 6.527             |
| EMILIA ROMAGNA          | 868            | 117        | 67               | -               | 1.374         | 2.336      | 5.345             |
| TUSCANY                 | 872            | 136        | 75               | -               | 1.409         | 2.789      | 5.922             |
| UMBRIA                  | 803            | 164        | 179              | -               | 1.322         | 3.026      | 6.257             |
| MARCHE                  | 796            | 149        | 110              | -               | 1.221         | 2.855      | 5.684             |
| LATIUM                  | 850            | 88         | 68               | -               | 970           | 4.557      | 7.645             |
| ABRUZZI                 | 700            | 132        | 149              | -               | 1.288         | 3.182      | 6.063             |
| MOLISE                  | 735            | 165        | 268              | -               | 1.282         | 3.767      | 6.789             |
| CAMPANIA                | 775            | 71         | 109              | -               | 947           | 3.385      | 5.803             |
| BASILICATA              | 760            | 177        | 213              | -               | 1.078         | 3.727      | 6.430             |
| APULIA                  | 532            | 77         | 107              | -               | 913           | 3.404      | 5.433             |
| CALABRIA                | 692            | 116        | 242              | -               | 1.191         | 3.783      | 6.407             |
| SICILY                  | 957            | 114        | -                | n.d.            | 984           | 3.383      | 5.940             |
| SARDINIA                | 733            | 86         | -                | 276             | 1.316         | 3.691      | 6.623             |
| NORTH                   | 790            | 88         | 55               | *               | 1.248         | 2.315      | 5.057             |
| CENTRE                  | 846            | 117        | 84               | -               | 1.171         | 3.645      | 6.723             |
| SOUTH AND ISLANDS       | 754            | 96         | 95               | *               | 1.033         | 3.455      | 5.938             |
| Ordinary Regions        | 764            | 98         | 88               | -               | 1.153         | 2.960      | 5.632             |
| Special Statute Regions | 918            | 91         | -                | *               | 1.171         | 3.088      | 6.024             |
| TOTAL ITALY             | 788            | 97         | 75               | *               | 1.156         | 2.980      | 5.693             |

| Reference number (Italian average = 100) |                |            |                  |                 |               |            |                   |
|--|----------------|------------|------------------|-----------------|---------------|------------|-------------------|
|  | Municipalities | Provincial | Ordinary Regions | Special Regions | Health Boards | Ministries | Total Pub. Adm.** |
| PIEDMONT                                 | 103            | 113        | 99               | -               | 111           | 81         | 92                |
| VALLE D'AOSTA                            | 168            | -          | -                | n.c.            | 140           | 38         | 131               |
| LOMBARDY                                 | 94             | 81         | 58               | -               | 93            | 73         | 79                |
| LIGURIA                                  | 131            | 131        | 98               | -               | 120           | 102        | 115               |
| TRENTINO-ALTO ADIGE                      | 126            | -          | -                | n.c.            | 133           | 26         | 81                |
| VENETO                                   | 80             | 75         | 89               | -               | 112           | 81         | 86                |
| FRIULI VENEZIA GIULIA                    | 115            | 86         | -                | n.c.            | 123           | 102        | 115               |
| EMILIA ROMAGNA                           | 110            | 121        | 90               | -               | 119           | 78         | 94                |
| TUSCANY                                  | 111            | 141        | 100              | -               | 122           | 94         | 104               |
| UMBRIA                                   | 102            | 170        | 240              | -               | 114           | 102        | 110               |
| MARCHE                                   | 101            | 154        | 148              | -               | 106           | 96         | 100               |
| LATIUM                                   | 108            | 91         | 91               | n.c.            | 84            | 153        | 134               |
| ABRUZZI                                  | 89             | 136        | 199              | -               | 111           | 107        | 106               |
| MOLISE                                   | 93             | 170        | 358              | -               | 111           | 126        | 119               |
| CAMPANIA                                 | 98             | 73         | 146              | -               | 82            | 114        | 102               |
| BASILICATA                               | 96             | 183        | 285              | -               | 93            | 125        | 113               |
| APULIA                                   | 67             | 80         | 144              | -               | 79            | 114        | 95                |
| CALABRIA                                 | 88             | 120        | 324              | -               | 103           | 127        | 113               |
| SICILY                                   | 121            | 117        | -                | n.c.            | 85            | 114        | 104               |
| SARDINIA                                 | 93             | 89         | -                | -               | 114           | 124        | 116               |
| NORTH                                    | 100            | 91         | 73               | n.c.            | 108           | 78         | 89                |
| CENTRE                                   | 107            | 121        | 113              | -               | 101           | 122        | 118               |
| SOUTH AND ISLANDS                        | 96             | 100        | 127              | n.c.            | 89            | 116        | 104               |
| Ordinary Regions                         | 97             | 101        | 118              | -               | 100           | 99         | 99                |
| Special Statute Regions                  | 116            | 94         | -                | n.c.            | 101           | 104        | 106               |
| TOTAL ITALY                              | 100            | 100        | 100              | n.c.            | 100           | 100        | 100               |

(\*) The indicator for the Special Statute Regions has not been calculated due to the absence of data for Sicily.

(\*\*) The total for the Public Administrations includes other public bodies not shown in the table. Processed on data supplied by the General Accounting Office

**Table 1.7. Civil servants employed every 100 thousand (Permanently employed civil servants) - Year 2006**

|                         | Municipalities | Provincial | Ordinary Regions | Special Regions | Health Boards | Ministries | Total Pub. Adm.** |
|-------------------------|----------------|------------|------------------|-----------------|---------------|------------|-------------------|
| PIEDMONT                | 812            | 109        | 74               | -               | 1.287         | 2.406      | 5.210             |
| VALLE D'AOSTA           | 1.327          | -          | -                | 2.497           | 1.619         | 1.138      | 7.447             |
| LOMBARDY                | 739            | 78         | 44               | -               | 1.072         | 2.162      | 4.510             |
| LIGURIA                 | 1.032          | 127        | 73               | -               | 1.388         | 3.045      | 6.528             |
| TRENTINO-ALTO ADIGE     | 992            | -          | -                | 890             | 1.534         | 788        | 4.613             |
| VENETO                  | 634            | 72         | 67               | -               | 1.290         | 2.422      | 4.886             |
| FRIULI VENEZIA GIULIA   | 909            | 83         | -                | 256             | 1.422         | 3.047      | 6.527             |
| EMILIA ROMAGNA          | 868            | 117        | 67               | -               | 1.374         | 2.336      | 5.345             |
| TUSCANY                 | 872            | 136        | 75               | -               | 1.409         | 2.789      | 5.922             |
| UMBRIA                  | 803            | 164        | 179              | -               | 1.322         | 3.026      | 6.257             |
| MARCHE                  | 796            | 149        | 110              | -               | 1.221         | 2.855      | 5.684             |
| LATIUM                  | 850            | 88         | 68               | -               | 970           | 4.557      | 7.645             |
| ABRUZZI                 | 700            | 132        | 149              | -               | 1.288         | 3.182      | 6.063             |
| MOLISE                  | 735            | 165        | 268              | -               | 1.282         | 3.767      | 6.789             |
| CAMPANIA                | 775            | 71         | 109              | -               | 947           | 3.385      | 5.803             |
| BASILICATA              | 760            | 177        | 213              | -               | 1.078         | 3.727      | 6.430             |
| APULIA                  | 532            | 77         | 107              | -               | 913           | 3.404      | 5.433             |
| CALABRIA                | 692            | 116        | 242              | -               | 1.191         | 3.783      | 6.407             |
| SICILY                  | 957            | 114        | -                | n.d.            | 984           | 3.383      | 5.940             |
| SARDINIA                | 733            | 86         | -                | 276             | 1.316         | 3.691      | 6.623             |
| NORTH                   | 790            | 88         | 55               | *               | 1.248         | 2.315      | 5.057             |
| CENTRE                  | 846            | 117        | 84               | -               | 1.171         | 3.645      | 6.723             |
| SOUTH AND ISLANDS       | 754            | 96         | 95               | *               | 1.033         | 3.455      | 5.938             |
| Ordinary Regions        | 764            | 98         | 88               | -               | 1.153         | 2.960      | 5.632             |
| Special Statute Regions | 918            | 91         | -                | *               | 1.171         | 3.088      | 6.024             |
| TOTAL ITALY             | 788            | 97         | 75               | *               | 1.156         | 2.980      | 5.693             |

Reference number (average for Italy=100)

|                         | Municipalities | Provincial | Ordinary Regions | Special Regions | Health Boards | Ministries | Total Pub. Adm.** |
|-------------------------|----------------|------------|------------------|-----------------|---------------|------------|-------------------|
| PIEDMONT                | 103            | 113        | 99               | -               | 111           | 81         | 92                |
| VALLE D'AOSTA           | 168            | -          | -                | n.c.            | 140           | 38         | 131               |
| LOMBARDY                | 94             | 81         | 58               | -               | 93            | 73         | 79                |
| LIGURIA                 | 131            | 131        | 98               | -               | 120           | 102        | 115               |
| TRENTINO-ALTO ADIGE     | 126            | -          | -                | n.c.            | 133           | 26         | 81                |
| VENETO                  | 80             | 75         | 89               | -               | 112           | 81         | 86                |
| FRIULI VENEZIA GIULIA   | 115            | 86         | -                | n.c.            | 123           | 102        | 115               |
| EMILIA ROMAGNA          | 110            | 121        | 90               | -               | 119           | 78         | 94                |
| TUSCANY                 | 111            | 141        | 100              | -               | 122           | 94         | 104               |
| UMBRIA                  | 102            | 170        | 240              | -               | 114           | 102        | 110               |
| MARCHE                  | 101            | 154        | 148              | -               | 106           | 96         | 100               |
| LATIUM                  | 108            | 91         | 91               | n.c.            | 84            | 153        | 134               |
| ABRUZZI                 | 89             | 136        | 199              | -               | 111           | 107        | 106               |
| MOLISE                  | 93             | 170        | 358              | -               | 111           | 126        | 119               |
| CAMPANIA                | 98             | 73         | 146              | -               | 82            | 114        | 102               |
| BASILICATA              | 96             | 183        | 285              | -               | 93            | 125        | 113               |
| APULIA                  | 67             | 80         | 144              | -               | 79            | 114        | 95                |
| CALABRIA                | 88             | 120        | 324              | -               | 103           | 127        | 113               |
| SICILY                  | 121            | 117        | -                | n.c.            | 85            | 114        | 104               |
| SARDINIA                | 93             | 89         | -                | -               | 114           | 124        | 116               |
| NORTH                   | 100            | 91         | 73               | n.c.            | 108           | 78         | 89                |
| CENTRE                  | 107            | 121        | 113              | -               | 101           | 122        | 118               |
| SOUTH AND ISLANDS       | 96             | 100        | 127              | n.c.            | 89            | 116        | 104               |
| Ordinary Regions        | 97             | 101        | 118              | -               | 100           | 99         | 99                |
| Special Statute Regions | 116            | 94         | -                | n.c.            | 101           | 104        | 106               |
| TOTAL ITALY             | 100            | 100        | 100              | n.c.            | 100           | 100        | 100               |

(\*) The indicator for the Special Statute Regions has not been calculated due to the absence of data for Sicily.

(\*\*) The total for the Public Administrations includes other public bodies not shown in the table. Processed on data supplied by the General Accounting Office

## 1.4 Executive Staff

A recent report prepared by the Court of Auditors shows that the number of civil servants counting as executive staff is starting to grow again after a decrease of approximately one-thousand units between 1991 and 1998; it now exceeds the figures for the early Nineties. In the past five years the overall increase between the years 2001 and 2005 was 1.1% (Tab 1.8); however, this trend does not affect all the five areas that the executive staff in the Italian PA is broken down into. The number of executives in the Regions and Local Authorities recorded a 8.7% decrease in the



same period, similar to the trends identified in the areas of Education and Higher Education for Art and Music Studies (-11.3%). There are other executive levels, however, where the increase is clear: if we exclude medical executives (+2.9%), the area of the state executives (Ministries, Autonomous bodies, etc.) marks the most remarkable increase with a sheer variation in the five-year period under consideration of 2.3%. Nevertheless, this growth is almost fully ascribable to the year 2005 when the number of executives in Central Administrations increased by over 200 units, putting an end to the drop that had started in 2002.

Table 1.8 provides an overview of the breakdown of the executive staff employed in the Italian civil service. Most executives are employed in the health-care sector where, in 2005, there were almost 116 thousand medical executives against 21,000 non-medical executives. The broad sector that includes the Local Authorities (Regions, Provincial Districts, Municipalities, etc.) includes just a thousand more executives than the Central State, with recorded figures standing respectively at 10,516 and 9,476. The total figures on Local Authorities should actually be added to the executives employed in the Special Statute Regions: however, the Court of Auditors, as a result of the delay in the notification of these figures by the involved authorities, does not in fact have the full picture of the number of civil service executives employed in the Regions and the Autonomous Provincial Districts.

The Court of Auditors' report also supplies other figures that emphasise the concentration of executive staff: Table 1.9 shows the proportion of executive or similar staff against the remaining non-executive staff. The main result that is worth highlighting is the similarity of the figures for the Ministries and the aggregate figure for Regions and Local Authorities: indeed, both record an average ratio of one executive every 40 non-executive members of staff.

Excluding the health sector, where the concentration of executives is explained by the fact that a doctor's position is equivalent to an executive profile (here the ratio is one to four), the areas that employ most executives are the non-financial Public Bodies (Inps, Inail, Inpdap): the latter emerge as the worst performing areas with an average of one executive every 22 non-executive staff members.

**Table 1.8.** Executives employed in the period 2001-2005 (data as of 31 December of the reference year)

|   | 2001           | 2002           | 2003           | 2004           | 2005           | Var. %<br>2001/05 |
|---|----------------|----------------|----------------|----------------|----------------|-------------------|
| <b>AREA I</b><br>Ministries, Autonomous Bodies, Non-financial Public Bodies,<br>Universities, Research Bodies | 9.261          | 9.423          | 9.348          | 9.261          | 9.476          | 2,3               |
| <b>AREA II</b><br>Regions and Local Authorities   | 11.518         | 11.852         | 11.111         | 10.955         | 10.518         | -8,7              |
| <b>AREA III</b><br>National Health Service (non-medical executives)   | 20.894         | 21.399         | 21.173         | 21.348         | 21.248         | 1,7               |
| <b>AREA IV</b><br>National Health Service (medical executives)  | 112.539        | 114.662        | 113.953        | 115.343        | 115.828        | 2,9               |
| <b>AREA V</b><br>Education system and Higher Education for Arts<br>and Music Studies                          | 9.415          | 8.839          | 8.169          | 8.820          | 8.355          | -11,3             |
| <b>TOTALE AREE</b>  | <b>163.627</b> | <b>166.175</b> | <b>163.754</b> | <b>165.727</b> | <b>165.425</b> | <b>1,1</b>        |
| <i>Executives in Special Statute Regions and Provincial Districts*</i>  | 685            | 1.215          | 1.693          | 1.783          | 1.708          |                   |
| <i>Other executives in the civil service</i>  | 295            | 2.903          | 471            | 612            | 668            |                   |

(\*) The data on the executives employed in Special Statute Regions are not incorporated into the total as the Court of Auditors has highlighted the unreliability and the incompleteness of the data supplied by the bodies.

*Processed on data supplied by the Court of Auditors.*



| Area                          | 2001 | 2002 | 2003 | 2004 | 2005 |
|-------------------------------|------|------|------|------|------|
| Ministries                    | 43   | 41   | 41   | 47   | 44   |
| Autonomous bodies             | 196  | 193  | 184  | 189  | 161  |
| Education                     | 120  | 128  | 137  | 127  | 134  |
| National Health Service       | 4    | 4    | 4    | 4    | 4    |
| Regions and Local Authorities | 43   | 35   | 40   | 40   | 41   |
| Non-financial Public Bodies   | 23   | 23   | 23   | 22   | 22   |
| Research Bodies               | 76   | 71   | 51   | 49   | 45   |
| Universities                  | 194  | 161  | 154  | 145  | 137  |

**Table 1.9.** *Proportion of executive or similar against the remaining non-executive staff\*. Breakdown by area.*

(\*) permanent and fixed-term staff Source: *Court of Auditors*

The data supplied by General Accounting Office, the body in charge of monitoring the staff employed in Public Administrations, contribute to further outlining the scenario of civil service executives. Indeed, by processing the dataset underlying the Yearly Accounts, the information provided in the previous tables can be broken down into greater detail. More specifically, further information can be identified on the executive level in reference to each level of government of the Regions and the Local Authorities (Regions, Provincial Districts, and Municipalities).

Table 1.10 presents the summary data on the executive staff relating to each level of the Italian PA in years 2002 and 2006. For the purposes of this assessment, it is worth highlighting that the data in these tables at times differ remarkably from those presented before. The greater amount of detailed information available for the positions and professional figures employed in the PA enables us to aggregate the data on the “top-level” staff - which is tantamount to an executive role - to the data on the executives. For this reason and within this context, the definition of “executive staff” provides a broad interpretation of the executive role, to include, for example, the Secretaries (of Municipalities and Provincial Districts), the Judiciary Staff and the Diplomatic and Prefectorial Services (for the Ministries).

The results achieved as a result of this further definition of the underlying method are presented here. In 2006, the healthcare sector restated its position as the greatest employer of so-called “top-level” staff (over 131 thousand units); the Ministries employed some 29 thousand executive and similar staff.

As to the situation in Local Administrations, the Municipalities accounted for some 10 thousand executive staff, while the regions accounted for nearly 2,600, a figure that shows a remarkable decrease compared to 2002.

Although it compares just two years, this assessment provides interesting results, more in reference to the distribution of this staff amongst the levels of government than as regards the trend over time. The specific classification of staff used herein is unable to interpret any changes of legal or contractual nature that have entered into force and covering either executive or non-executive staff.

Nevertheless, the comparison between different levels of government remains useful and shows clearly that there is a greater concentration of executive staff in the Ministries compared to the Local and Regional Administrations.

**Table 1.10.** *Executive staff employed in the public administrations. Years 2002 and 2006*

|                                     |   | 2002    | 2006    |
|-------------------------------------|---|---------|---------|
| Municipalities                      | A | 10.273  | 9.569   |
|                                     | B | 43      | 43      |
| Provincial districts                | A | 1.774   | 1.777   |
|                                     | B | 30      | 32      |
| Provincial districts                | A | 3.374   | 2.584   |
|                                     | B | 12      | 14      |
| Regions with special statute status | A | 1.215   | 1.269   |
|                                     | B | 19      | 35      |
| Health Boards                       | A | 129.153 | 131.015 |
|                                     | B | 4       | 4       |
| Ministries                          | A | 29.027  | 28.784  |
|                                     | B | 62      | 63      |

(A) Number of executive and similar staff.

(B) Number of "non-executive" staff for every executive or similar. Processed on data supplied by the General Accounting Office

## 1.5 Average remuneration

This next chapter of the survey will tackle the costs of the public machinery, including the costs ascribable to employees. This paragraph anticipates the dissertation on the expenses borne for employees, presenting data on the average remuneration of civil servants in each PA body or institution.

The information in Table 1.11 provides a general overview of the levels of remuneration (and subsequently of the costs borne by taxpayers), highlighting a highly variable system. The data supplied by the GAO shows that on average, higher remunerations are ascribable, as was to be expected, to the employees of the Constitutional bodies<sup>5</sup> (more than 61,000 Euro p.a.). On a lower level – in the bracket between 38,304 and 49,584 Euro p.a. – one finds the healthcare, research, care and social services, and social security bodies.

The table enables further comparisons to be made: for example, staff employed in Ordinary Regions have, on average, higher salaries than their counterparts in the Autonomous Regions (although in this area, the Court has highlighted the unreliability of the data supplied), receiving respectively 38,147 and 29,553 Euro per year.

The remuneration of ministerial staff is on average lower than the average for the civil service (approximately 30,600 Euro against an average of 32,892 Euro), although it is clearly higher than that of the Local authorities: indeed, the average for Provincial Districts, Unions of Municipalities, Mountain Communities and Municipalities stands between 26 and 28,000 Euro per year.

<sup>5</sup> They include the employees working for the Presidency of the Republic, the Parliament, the Government, the Constitutional Court, the National Council of Economy and Labour - CNEL, amongst others).

| Body/institution   | Average yearly remuneration |
|--|-----------------------------|
| CONSTITUTIONALLY RELEV. BODIES                               | 61.046                      |
| RESEARCH AND EXPERIMENTATION INSTITUTIONS                    | 49.584                      |
| UNIVERSITIES   | 45.677                      |
| SOCIAL SECURITY AND HEALTHCARE BODIES                        | 43.495                      |
| OTHER BODIES   | 43.066                      |
| OBSERVATORIES  | 41.132                      |
| RESEARCH INSTITUTE FOR ANIMAL HEALTH                         | 40.481                      |
| TEACHING HOSPITALS   | 40.366                      |
| TOURIST BOARDS AND COMPANIES                                 | 40.110                      |
| IACP/ATER/ALER/ARTE  | 38.783                      |
| LOCAL HEALTH BOARDS  | 38.304                      |
| RESEARCH CARE CENTRES AND HOSPITALS                          | 38.275                      |
| REGION I   | 38.147                      |
| ENVIRONMENTAL PROTECTION AGENCIES                            | 36.957                      |
| REGIONAL BODIES FOR AGRICULTURAL DEVELOPMENT                 | 36.044                      |
| AUTOMOBILE CLUB  | 35.822                      |
| OTHER REGIONAL BODIES  | 35.427                      |
| AGENCIES   | 35.419                      |
| WATER BOARDS   | 34.747                      |
| CHAMBERS OF COMMERCE, INDUSTRY, ARTISAN WORK AND AGRICULTURE | 33.511                      |
| NATURAL PARKS AND ENVIRONMENTAL PROTECTION BODIES            | 31.965                      |
| AUTONOMOUS STATE COMPANIES                                   | 31.829                      |
| BODIES FOR THE RIGHT TO STUDY                                | 31.186                      |
| MINISTRIES   | 30.559                      |
| REGIONS WITH SPECIAL STATUTE STATUS                          | 29.553                      |
| PROVINCIAL DISTRICTS   | 28.847                      |
| MUNICIPALITIES   | 27.890                      |
| MOUNTAIN COMMUNITIES   | 27.722                      |
| UNIONS OF MUNICIPALITIES                                     | 26.283                      |
| FORMER IPAB  | 25.524                      |
| CONSORTIA, ASSOCIATIONS, DISTRICTS                           | 25.320                      |
| <b>TOTAL</b>   | <b>32.802</b>               |

**Table 1.11.** Average remuneration of employees on a permanent contract per type of body/institution (in Euro). Year 2006

Processed on data supplied by the General Accounting Office

## Chapter 2 The allocation of public spending

### 2.1 Spending for staff in European countries

After analyzing the number and composition of the staff employed in Public Administrations, we will now assess the operating costs associated to the different levels of government. For a start, the expenditure for civil servants ranks as one of the most important items not only for running the bureaucratic machinery but also for the whole national budget.

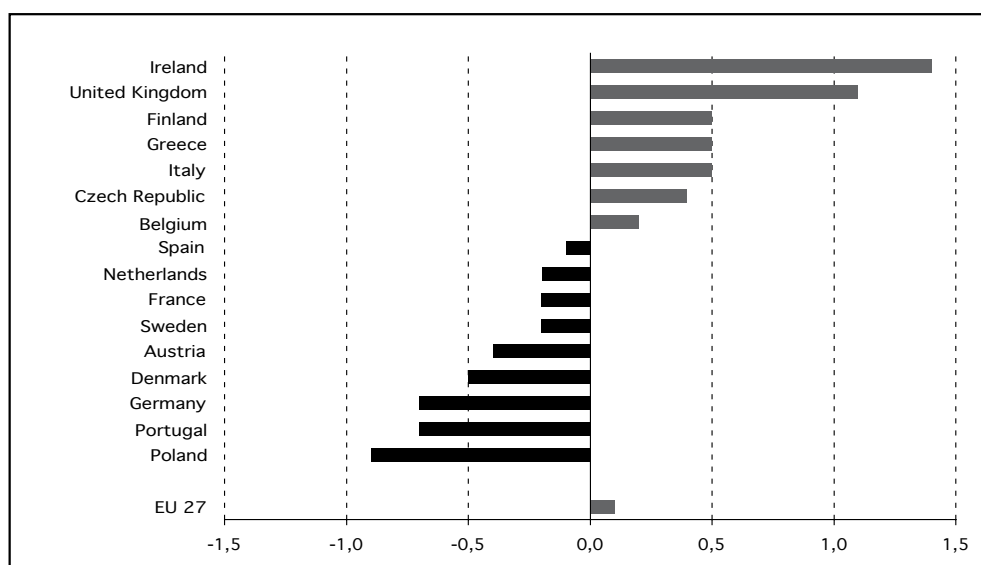
In Italy, the costs for staff account for 11% of the GDP: this figure is slightly higher than the European average (10.7%) but is well within the average of major Countries alone (Tab 2.1). In 2006, Italy spent more than Spain (10%) and Germany (7.2%), but less than France (13.1%) and the United Kingdom (11.4%). However, while major countries (with the exception of the United Kingdom) have launched a staff-related cost reduction strategy, Italy witnessed an increase between 2001 and 2006 of 0.5 percent of the GDP. On the contrary, Germany shows a very different trend, having reduced the expenditure for civil servants by 0.7 percent of the GDP in just five years (Graph 2.1).

The distribution of costs amongst the various levels of government also differs strongly between Countries. In 2006, the costs for PA staff in Italy were unbalanced to the benefit of Central administrations that accounted for almost 55% of the overall burden, while almost 43% was, on the contrary, allocated to Local administration, with the remaining 2% attributable to Social Security Bodies (Tab 2.2). Compared to 1996, there was a decrease in the portion of expenditure for Central Government staff that ten years ago was almost up to 58% of the total expenses for PA staff remuneration.

|                     | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---------------------|------|------|------|------|------|------|------|------|------|------|------|
| Denmark             | 17,2 | 17,0 | 17,4 | 17,5 | 17,1 | 17,4 | 17,8 | 18,0 | 17,9 | 17,2 | 16,9 |
| Sweden              | 17,0 | 16,6 | 16,1 | 15,7 | 15,6 | 15,9 | 16,1 | 16,5 | 16,3 | 16,1 | 15,7 |
| Cyprus              | n.d. | n.d. | 13,5 | 13,5 | 13,5 | 13,2 | 13,8 | 15,6 | 14,8 | 14,8 | 14,9 |
| Portugal            | 13,1 | 13,1 | 13,2 | 13,7 | 14,2 | 14,3 | 14,7 | 14,1 | 14,1 | 14,5 | 13,6 |
| Malta               | 15,2 | 14,4 | 14,4 | 13,8 | 13,0 | 14,9 | 14,5 | 14,7 | 14,7 | 14,2 | 13,5 |
| Finland             | 15,4 | 14,5 | 13,8 | 13,5 | 13,0 | 12,9 | 13,2 | 13,6 | 13,5 | 13,8 | 13,4 |
| France              | 13,8 | 13,6 | 13,5 | 13,5 | 13,3 | 13,3 | 13,5 | 13,5 | 13,3 | 13,3 | 13,1 |
| Hungary             | 10,9 | 10,9 | 10,9 | 10,9 | 10,5 | 11,1 | 12,2 | 13,1 | 12,6 | 12,6 | 12,2 |
| Belgium             | 11,9 | 11,8 | 11,7 | 11,8 | 11,5 | 11,7 | 12,2 | 12,3 | 12,0 | 12,1 | 11,9 |
| Slovenia            | 11,6 | 11,5 | 11,3 | 11,3 | 11,5 | 12,0 | 11,8 | 11,9 | 11,8 | 11,7 | 11,4 |
| United Kingdom      | 10,6 | 10,2 | 9,8  | 9,8  | 9,9  | 10,3 | 10,5 | 10,9 | 11,1 | 11,3 | 11,4 |
| Italy               | 11,3 | 11,5 | 10,6 | 10,6 | 10,4 | 10,5 | 10,6 | 10,8 | 10,8 | 11,0 | 11,0 |
| Greece              | 9,6  | 10,3 | 10,4 | 10,5 | 10,5 | 10,3 | 11,0 | 10,8 | 11,4 | 11,3 | 10,8 |
| Lithuania           | 10,7 | 11,2 | 12,7 | 13,4 | 12,2 | 11,7 | 11,4 | 10,9 | 10,9 | 10,4 | 10,5 |
| Latvia              | 10,9 | 10,5 | 10,8 | 11,3 | 10,8 | 10,2 | 10,5 | 10,7 | 10,5 | 10,0 | 10,1 |
| Spain               | 11,2 | 10,8 | 10,6 | 10,5 | 10,3 | 10,1 | 10,0 | 10,1 | 10,1 | 10,0 | 10,0 |
| Poland              | 10,5 | 10,5 | 10,0 | 10,1 | 10,1 | 10,7 | 10,8 | 10,7 | 10,1 | 10,0 | 9,8  |
| Ireland             | 9,6  | 9,1  | 8,4  | 8,1  | 8,0  | 8,3  | 8,6  | 9,0  | 9,4  | 9,3  | 9,7  |
| Netherlands         | 10,1 | 9,8  | 9,7  | 9,7  | 9,5  | 9,6  | 9,8  | 10,1 | 10,0 | 9,7  | 9,4  |
| Austria             | 12,1 | 11,4 | 11,2 | 11,2 | 10,9 | 9,7  | 9,6  | 9,5  | 9,3  | 9,3  | 9,3  |
| Romania             | n.d. | n.d. | 8,6  | 7,6  | 8,1  | 7,8  | 8,4  | 8,2  | 8,1  | 8,7  | 9,1  |
| Bulgaria            | 7,0  | 6,8  | 9,7  | 10,5 | 10,0 | 8,9  | 9,6  | 10,4 | 10,2 | 9,8  | 9,0  |
| Estonia             | 11,2 | 10,7 | 10,6 | 12,0 | 10,9 | 10,3 | 9,9  | 9,8  | 9,8  | 9,3  | 8,8  |
| Czech Republic      | 7,5  | 7,4  | 6,8  | 7,3  | 7,1  | 7,4  | 7,8  | 8,3  | 7,9  | 7,9  | 7,8  |
| Slovakia            | 9,3  | 9,1  | 9,4  | 9,3  | 8,7  | 8,8  | 9,0  | 9,0  | 8,1  | 7,4  | 7,5  |
| Luxemburg           | 8,5  | 8,8  | 8,5  | 7,8  | 7,5  | 7,9  | 8,1  | 8,0  | 8,1  | 7,9  | 7,4  |
| Germany             | 8,7  | 8,5  | 8,3  | 8,2  | 8,1  | 7,9  | 7,9  | 7,8  | 7,7  | 7,5  | 7,2  |
| European Union (27) | n.d. | n.d. | 10,7 | 10,7 | 10,6 | 10,6 | 10,7 | 10,9 | 10,8 | 10,8 | 10,7 |

**Table 2.1.** Spending for staff in EU States (as a percentage of the GDP)

**Graph 2.1.** Spending for staff in EU States. (As a percentage of the GDP) Trend 2001-2006



Processed on data supplied by Eurostat

**Table 2.2.** Percentage breakdown of spending for staff by level of government

|                | 1996         |              |                  | 2001         |              |                  | 2006         |              |                  |
|----------------|--------------|--------------|------------------|--------------|--------------|------------------|--------------|--------------|------------------|
|                | Cent. Admin. | Local Admin. | Soc. Sec. Bodies | Cent. Admin. | Local Admin. | Soc. Sec. Bodies | Cent. Admin. | Local Admin. | Soc. Sec. Bodies |
| Austria        | 39,5         | 54,8         | 5,8              | 46,5         | 46,5         | 6,9              | 47,8         | 45,2         | 7,0              |
| Belgium        | 23,3         | 73,1         | 3,6              | 22,8         | 73,9         | 3,3              | 20,7         | 75,9         | 3,3              |
| Denmark        | 27,5         | 71,3         | 1,2              | 26,7         | 72,2         | 1,0              | 25,2         | 74,0         | 0,9              |
| Finland        | 26,1         | 72,1         | 1,9              | 25,7         | 72,3         | 2,0              | 24,6         | 73,4         | 2,0              |
| France         | 58,0         | 19,9         | 22,1             | 56,2         | 21,9         | 21,9             | 54,2         | 23,5         | 22,3             |
| Germany        | 14,1         | 78,1         | 7,8              | 13,7         | 77,8         | 8,5              | 13,2         | 77,3         | 9,5              |
| Greece         | 76,0         | 7,6          | 16,4             | 75,4         | 7,9          | 16,7             | 73,7         | 10,2         | 16,2             |
| Ireland        | 54,5         | 44,2         | 1,3              | 46,5         | 52,5         | 1,0              | 82,5         | 16,7         | 0,7              |
| Italy          | 57,9         | 39,8         | 2,2              | 55,8         | 41,9         | 2,2              | 55,2         | 42,8         | 2,0              |
| Netherlands    | 31,9         | 64,1         | 4,0              | 30,8         | 65,3         | 3,9              | 31,1         | 66,1         | 2,8              |
| Poland         | 59,8         | 37,7         | 2,5              | 38,3         | 59,4         | 2,3              | 41,3         | 56,4         | 2,3              |
| Portugal       | 85,4         | 12,6         | 2,0              | 85,2         | 12,9         | 1,8              | 83,5         | 14,0         | 2,5              |
| United Kingdom | 55,2         | 44,8         | -                | 52,7         | 47,3         | -                | 54,6         | 45,4         | -                |
| Czech Republic | 72,8         | 25,9         | 1,3              | 61,5         | 37,1         | 1,3              | 50,9         | 47,8         | 1,2              |
| Spain          | 32,8         | 56,8         | 10,4             | 22,2         | 67,9         | 9,9              | 20,5         | 77,1         | 2,3              |
| Sweden         | 23,2         | 76,8         | -                | 23,6         | 76,4         | -                | 23,4         | 76,6         | 0,1              |
| Average        | 46,1         | 48,7         | 5,9              | 42,7         | 52,1         | 5,9              | 43,9         | 51,4         | 5,0              |

Processed on data supplied by Eurostat

Clearly, staff costs are affected by the way in which the same staff is allocated - and in what numbers - to the various levels of Public Administration. This explains why in Germany, more than 77% of civil service remuneration is imputable to the Local administration (Länder and Local Authorities), a figure that is altogether similar to that recorded in Spain in the Autonomous Communities and other Local Administrations.

## 2.2 Spending for the Ministries

Graph 2.2 shows the trend for staff costs and own expenditure for Central Administrations (Ministries), net of all distributed costs (current transfers, investment grants, interests on debt); it also compares the expected costs (budget) and those actually borne (actual statement).

The two graphs here below consider 100 as being the figure for the expected costs entered into the budget for 2000, for both staff and total costs. The most interesting items for the purposes of this assessment are the following:

- a) between 2000 and 2007, staff costs increased faster than the Ministries' total own expenses, recording respectively increases of 24% and 20%;
- b) the comparison between expected and actual figures reveal a remarkable discrepancy: especially between 2004 and 2006, the budgeted expenses for the Ministries was constantly underestimated in comparison to the final figures;
- c) the 2007 budget booked expected costs (for both staff and total expenses) that were lower than both the budget and the actual statement for 2006. Given the discrepancies recorded in recent years, it will be essential to verify whether this decrease was actually achieved.

In 2006, the Ministerial machinery absorbed approximately 89% of its own expenditure, whereas in the six previous years this percentage was slightly lower (86%). Over the total figure of 85.8 billion Euro, more than 75 were allocated to cover the costs of remuneration of ministerial staff; most of the remaining resources were allocated to cover operating costs (approx. 8 billion Euro).

The data confirm our previous statements: public spending is basically towed by staff costs. In fact, remunerations increased by 5.5% between 2002 and 2006, while the own expenditure of all the Ministries together booked a 5.1% increase (Tab 3.3). This leads us to conclude that to improve public spending it is essential to genuinely and effectively limit staff costs.

In view of the above, it is also clear that a different approach is needed in the allocation of productivity bonuses in the civil service. According to the supplementary contract endorsed by the Ministry of the Treasury on the allocation of resources to promote the productivity of employees, 70% of these resources are allocated based on staff attendance alone, whereas the remaining 30% is allocated based on the staff attendance and scores supplied directly by the offices and which are not subject to any external auditing mechanism.

Furthermore, pay rises in the civil service are not granted on the achievement of results but are given in general to all employees on the "expectation" of future increases in productivity. This approach does not seem very logical. However, discussions on formal issues could be set aside if this approach did in fact lead to real increases in productivity: instead, the targets are set and "adjusted" as needed by the same offices and results are measured by indicators that have little to do with productivity.



**Graph 2.2.** Trend of costs in Central Administrations: expected and actual data compared. Total expenditure and staff costs, budget for year 2000 = 100

Processed on data supplied by the General Accounting Office

**Table 2.3. Spending for Ministries: trend 2002 -2006**  
*Actual data (million Euro)*

| <b>Total costs</b>                                 | <b>2002</b>   | <b>2003</b>   | <b>2004</b>   | <b>2005</b>   | <b>2006</b>   | <b>Average yearly variation</b> |
|--|---------------|---------------|---------------|---------------|---------------|---------------------------------|
| MINISTRY OF ECONOMY AND FINANCE                    | 4.069         | 4.167         | 4.408         | 4.669         | 4.752         | 4,2%                            |
| MINISTRY OF INDUSTRY*                              | 111           | 132           | 124           | 122           | 129           | 4,1%                            |
| MINISTRY OF ECONOMIC DEVELOPMENT                   |               |               |               |               | 127           |                                 |
| MINISTRY OF INTERNATIONAL TRADE                    |               |               |               |               | 2             |                                 |
| MINISTRY OF LABOUR AND SOCIAL POLICIES             | 391           | 338           | 393           | 424           | 399           | 0,5%                            |
| MINISTRY OF JUSTICE                                | 5.694         | 6.727         | 6.968         | 6.669         | 7.527         | 8,0%                            |
| MINISTRY OF FOREIGN AFFAIRS                        | 829           | 938           | 999           | 1.002         | 965           | 4,1%                            |
| MINISTRY OF EDUCATION, UNIVERSITY AND RESEARCH*    | 34.727        | 32.759        | 38.321        | 40.534        | 40.771        | 4,4%                            |
| MINISTRY OF EDUCATION                              |               |               |               |               | 40.740        |                                 |
| MINISTRY OF UNIVERSITY AND RESEARCH                |               |               |               |               | 32            |                                 |
| MINISTRY OF HOME AFFAIRS                           | 8.187         | 7.989         | 8.544         | 8.635         | 9.131         | 2,9%                            |
| MINISTRY OF ENVIRONMENT AND TERRITORIAL PROTECTION | 156           | 184           | 178           | 208           | 163           | 1,2%                            |
| MINISTRY OF INFRASTRUCTURE AND TRANSPORT*          | 895           | 962           | 989           | 983           | 1.026         | 3,7%                            |
| MINISTRY OF INFRASTRUCTURE                         |               |               |               |               | 1.022         |                                 |
| MINISTRY OF TRANSPORT                              |               |               |               |               | 5             |                                 |
| MINISTRY OF COMMUNICATION                          | 93            | 97            | 95            | 90            | 93            | 0,1%                            |
| MINISTRY OF DEFENSE                                | 14.574        | 14.080        | 17.298        | 19.044        | 18.904        | 7,4%                            |
| MINISTRY OF AGRICULTURE AND FORESTRY POLICIES      | 312           | 420           | 542           | 629           | 670           | 28,7%                           |
| MINISTRY FOR CULTURAL HERITAGE AND EVENTS          | 909           | 1.249         | 962           | 838           | 1.025         | 3,2%                            |
| MINISTRY OF HEALTH                                 | 308           | 339           | 278           | 257           | 299           | -0,7%                           |
| <b>TOTAL COSTS OF CENTRAL ADMINISTRATIONS</b>      | <b>71.255</b> | <b>70.381</b> | <b>80.098</b> | <b>84.105</b> | <b>85.854</b> | <b>5,1%</b>                     |
| <b>Staff</b>                                       | <b>2002</b>   | <b>2003</b>   | <b>2004</b>   | <b>2005</b>   | <b>2006</b>   | <b>Average yearly variation</b> |
| MINISTRY OF ECONOMY AND FINANCE                    | 3.402         | 3.459         | 3.537         | 3.874         | 4.027         | 4,6%                            |
| MINISTRY OF INDUSTRY*                              | 80            | 88            | 88            | 87            | 89            | 2,8%                            |
| MINISTRY OF ECONOMIC DEVELOPMENT                   |               |               |               |               | 88            |                                 |
| MINISTRY OF INTERNATIONAL TRADE                    |               |               |               |               | 1             |                                 |
| MINISTRY OF LABOUR AND SOCIAL POLICIES             | 303           | 230           | 297           | 347           | 348           | 3,7%                            |
| MINISTRY OF JUSTICE                                | 4.260         | 5.107         | 5.225         | 4.853         | 5.553         | 7,6%                            |
| MINISTRY OF HOME AFFAIRS                           | 682           | 731           | 811           | 808           | 762           | 2,9%                            |
| MINISTRY OF EDUCATION, UNIVERSITY AND RESEARCH*    | 33.431        | 31.515        | 37.002        | 39.239        | 39.561        | 4,6%                            |
| MINISTRY OF EDUCATION                              |               |               |               |               | 39.548        |                                 |
| MINISTRY OF UNIVERSITY AND RESEARCH                |               |               |               |               | 13            |                                 |
| MINISTRY OF THE INTERIOR                           | 6.802         | 6.759         | 7.032         | 7.238         | 7.661         | 3,2%                            |
| MINISTRY OF ENVIRONMENT AND TERRITORIAL PROTECTION | 27            | 25            | 47            | 54            | 55            | 26,9%                           |
| MINISTRY OF INFRASTRUCTURE AND TRANSPORT*          | 633           | 714           | 712           | 766           | 776           | 5,7%                            |
| MINISTRY OF INFRASTRUCTURE                         |               |               |               |               | 772           |                                 |
| MINISTRY OF TRANSPORT                              |               |               |               |               | 4             |                                 |
| MINISTRY OF COMMUNICATION                          | 72            | 75            | 74            | 73            | 76            | 1,4%                            |
| MINISTRY OF DEFENSE                                | 10.849        | 10.436        | 13.101        | 14.096        | 14.591        | 8,6%                            |
| MINISTRY OF AGRICULTURE AND FORESTRY POLICIES      | 214           | 336           | 445           | 520           | 581           | 42,8%                           |
| MINISTRY OF CULTURAL HERITAGE AND EVENTS           | 723           | 1.017         | 749           | 665           | 860           | 4,7%                            |
| MINISTRY OF HEALTH                                 | 148           | 148           | 160           | 168           | 196           | 8,2%                            |
| <b>TOTAL COSTS OF CENTRAL ADMINISTRATIONS</b>      | <b>61.626</b> | <b>60.641</b> | <b>69.279</b> | <b>72.788</b> | <b>75.136</b> | <b>5,5%</b>                     |
| <b>Operating costs</b>                             | <b>2002</b>   | <b>2003</b>   | <b>2004</b>   | <b>2005</b>   | <b>2006</b>   | <b>Average yearly variation</b> |
| MINISTRY OF ECONOMY AND FINANCE                    | 614           | 577           | 609           | 570           | 561           | -2,1%                           |
| MINISTRY OF INDUSTRY*                              | 30            | 42            | 33            | 32            | 31            | 1,1%                            |
| MINISTRY OF ECONOMIC DEVELOPMENT                   |               |               |               |               | 31            |                                 |
| MINISTRY OF INTERNATIONAL TRADE                    |               |               |               |               | 0             |                                 |
| MINISTRY OF LABOUR AND SOCIAL POLICIES             | 83            | 92            | 69            | 61            | 39            | -13,1%                          |
| MINISTRY OF JUSTICE                                | 1.369         | 1.525         | 1.629         | 1.696         | 1.847         | 8,7%                            |
| MINISTRY OF HOME AFFAIRS                           | 137           | 184           | 163           | 172           | 170           | 5,9%                            |
| MINISTRY OF EDUCATION, UNIVERSITY AND RESEARCH*    | 1.208         | 1.144         | 1.210         | 1.196         | 1.125         | -1,7%                           |
| MINISTRY OF EDUCATION                              |               |               |               |               | 1.106         |                                 |
| MINISTRY OF UNIVERSITY AND RESEARCH                |               |               |               |               | 19            |                                 |
| MINISTRY OF THE INTERIOR                           | 1.215         | 974           | 1.193         | 1.108         | 1.187         | -0,6%                           |
| MINISTRY OF ENVIRONMENT AND TERRITORIAL PROTECTION | 127           | 151           | 127           | 151           | 103           | -4,8%                           |
| MINISTRY OF INFRASTRUCTURE AND TRANSPORT*          | 250           | 178           | 178           | 183           | 210           | -4,0%                           |
| MINISTRY OF INFRASTRUCTURE                         |               |               |               |               | 209           |                                 |
| MINISTRY OF TRANSPORT                              |               |               |               |               | 1             |                                 |
| MINISTRY OF COMMUNICATION                          | 16            | 15            | 12            | 8             | 10            | -9,9%                           |
| MINISTRY OF DEFENSE                                | 2.902         | 2.521         | 2.786         | 3.389         | 2.709         | -1,7%                           |
| MINISTRY OF AGRICULTURE AND FORESTRY POLICIES      | 91            | 73            | 80            | 86            | 67            | -6,5%                           |
| MINISTRY OF CULTURAL HERITAGE AND EVENTS           | 164           | 200           | 176           | 139           | 146           | -2,7%                           |
| MINISTRY OF HEALTH                                 | 147           | 174           | 100           | 73            | 79            | -11,6%                          |
| <b>TOTAL COSTS OF CENTRAL ADMINISTRATIONS</b>      | <b>8.352</b>  | <b>7.851</b>  | <b>8.366</b>  | <b>8.866</b>  | <b>8.282</b>  | <b>-0,2%</b>                    |

(\* ) for 2006 we have provided the sum total of the data for the Ministries established in the recent re-organisation of the Ministerial mechanism (Legislative Decree no. 181/2006)

*Processed on data supplied by the General Accounting Office*

## 2.3 Spending for the Regions

There is an important issue that the assessment of regional public spending cannot ignore: Italy has a variety of institutional entities that are very hard to compare. Indeed, the Ordinary Regions and the Regions with special statute status and Autonomous Provincial Districts of Trento and Bolzano present very different financing mechanisms and competencies. As a result, the Special Statute Regions are granted a much broader scope, at least potentially, to effectively act upon the social and economic development and the future of their relevant territories than the Ordinary Regions. On the contrary, the local development of the territories falling under the government of Ordinary Regions are more closely affected by the decisions taken centrally in Rome and are strongly dependent on the financial flows allocated by the Central State.

In Special Statute Regions, running expenses reach almost 2,800 Euro per inhabitant, almost 1,000 Euro more than the overall figures in Ordinary Regions (1,820 Euro per capita): this gap is mainly the result of current transfers to public bodies located on the local level, namely Municipalities and Health Boards (Tab 2.4). More specifically, it is important to bear in mind that in Special Statute Regions, the Local Administrations are mainly financed by the Regions themselves, whereas in the Ordinary Regions it is the state that allocates the transfers.

There are also differences associated to the costs borne for staff and the purchase of goods and services, that basically constitute the operating expenses. The latter are in fact the main expenses borne by Special Statute Regions, where the cost of the delivery of public services is higher. More specifically, the average per capita expenditure in the period 2003-2005 for staff is 364 Euro in Special Statute Regions and 43 Euro in Ordinary Regions; similarly, the cost for the purchase of goods and services in the Autonomous Regions is apparently much higher than that recorded in the fifteen Ordinary Regions, namely 206 and 61 Euro per capita respectively.

Generally speaking, regional running expenses amount to 1,969 Euro per inhabitant, of which 1,645 go towards financing the Local Public Bodies.

|                                     | Ordinary regions | Special regions | regions      |
|-------------------------------------|------------------|-----------------|--------------|
| <i>(Data in Euro per capita)</i>    |                  |                 |              |
| Remuneration of employees and staff | 43               | 364             | 92           |
| Purchase of goods and services      | 61               | 206             | 83           |
| Current transfers                   | 1.716            | 2.225           | 1.794        |
| to families                         | 33               | 154             | 52           |
| to businesses                       | 92               | 130             | 97           |
| to Public Bodies                    | 1.591            | 1.942           | 1.645        |
| <b>Running expenses*</b>            | <b>1.820</b>     | <b>2.795</b>    | <b>1.969</b> |
| <i>(% Breakdown)</i>                |                  |                 |              |
| Remuneration of employees and staff | 2,4              | 13,0            | 4,7          |
| Purchase of goods and services      | 3,4              | 7,4             | 4,2          |
| Current transfers                   | 94,3             | 79,6            | 91,1         |
| to families                         | 1,8              | 5,5             | 2,6          |
| to businesses                       | 5,0              | 4,6             | 4,9          |
| to Public Bodies                    | 87,4             | 69,5            | 83,5         |
| <b>Running expenses</b>             | <b>100,0</b>     | <b>100,0</b>    | <b>100,0</b> |

**Table 2.4.** *Composition of the running expenses of Regions. Average 2003-2005*

(\*) After interests, amortisation, adjustment items and non-ascribable amounts  
Processed on data supplied by MEF



Mention was made earlier in the survey on how Special Statute Regions can more effectively shape the development of their local territory: a significant figure in this respect is provided by the capital account expenditure. Having available a larger financial allocation, the Special Statute Regions can transfer - either directly or indirectly - an enormous amount of resources to institutions, families and businesses to support and promote local development. These outlays are booked under investment expenditure and enable the Regions to finance the creation of infrastructure, both tangible and intangible. Overall, the capital account expenditure of Special Statute Regions amounts to 1,805 Euro per inhabitant against 560 Euro in Ordinary Regions (Tab 3.5). This gap is particularly significant in the area of economic affairs, where the average expenditure for Special Statute Regions is 595 Euro per capita and just 200 Euro in Ordinary Regions: more specifically, the investments made by Special Statute Regions in transport and infrastructure reach 277 Euro against the 95 allocated by Ordinary Regions.

**Tabella 2.5.**  
*Regional spending.*  
*Average 2003-05*  
*(in Euro per capita)*

|   | Ordinary Regions |             |              | Special Statute Regions |              |              | Regions      |             |              |
|---|------------------|-------------|--------------|-------------------------|--------------|--------------|--------------|-------------|--------------|
|   | current          | capital ac. | total        | current                 | capital ac.  | total        | current      | capital ac. | total        |
| General public services                         | 82               | 18          | 100          | 330                     | 48           | 378          | 120          | 22          | 142          |
| Law and order and security                      | 4                | 1           | 5            | 4                       | 10           | 14           | 4            | 2           | 6            |
| Economic affairs                                | 140              | 200         | 341          | 239                     | 595          | 834          | 155          | 261         | 416          |
| <i>Agriculture, fisheries and forestry</i>      | 13               | 42          | 55           | 65                      | 153          | 218          | 21           | 59          | 80           |
| <i>Industry, trade, tourism</i>                 | 8                | 54          | 62           | 46                      | 141          | 187          | 13           | 67          | 81           |
| <i>Transport and infrastructure</i>             | 113              | 95          | 208          | 82                      | 277          | 359          | 108          | 123         | 231          |
| <i>Labour issues</i>                            | 7                | 9           | 16           | 46                      | 24           | 69           | 13           | 12          | 24           |
| Environmental protection                        | 7                | 15          | 21           | 16                      | 30           | 46           | 8            | 17          | 25           |
| Housing and territorial planning                | 6                | 25          | 31           | 7                       | 89           | 96           | 6            | 35          | 41           |
| Health  | 1.414            | 38          | 1.453        | 1.535                   | 77           | 1.612        | 1.433        | 44          | 1.477        |
| Recreational, cultural and religious activities | 13               | 12          | 26           | 46                      | 63           | 109          | 18           | 20          | 38           |
| Education                                       | 42               | 16          | 58           | 193                     | 61           | 255          | 65           | 23          | 88           |
| Social security                                 | 43               | 6           | 49           | 133                     | 28           | 161          | 57           | 9           | 66           |
| Non-ascribable expenses                         | 110              | 28          | 138          | 489                     | 209          | 698          | 168          | 56          | 224          |
| <b>Total*</b>                                   | <b>2.001</b>     | <b>560</b>  | <b>2.561</b> | <b>3.232</b>            | <b>1.805</b> | <b>5.037</b> | <b>2.190</b> | <b>751</b>  | <b>2.941</b> |

(\*) After loan settlement expenses.

*Information processed based on data supplied by MEF*

There are clearly remarkable differences that emerge between Special Statute Regions and Ordinary Regions in reference to the availability of resources and the use thereof; however, there is also a clear discrepancy between Ordinary Regions mainly arising from their financing mechanisms. The Regions can resort to the taxes they collect directly and co-participate in revenue taxes; both in Ordinary Regions and Autonomous Regions, own taxes (IRAP - the Regional corporate tax, and IRPEF - the Corporate Income Tax) are pooled with a portion of the revenue taxes to jointly finance regional functions, first and foremost the delivery of healthcare services. Co-participation is at the core of the regional financing mechanism. Having been assigned more functions, Special Statute Regions can count on large portions (even 90%) of the main revenue taxes collected, as established by each Regional Statute. On the contrary, Ordinary Regions co-participate in the allocation of the VAT. As matter of fact VAT allocation is a mechanism that enables the Central State to equally distribute the available resources amongst the territories, with the exception of the Special Statute Regions, which do not contribute to it.

Legislative Decree 56/2000 envisages a financing system for Ordinary Regions that provides an equal distribution of available resources amongst the regions based on more rational criteria, unlike the use of historical expenditure

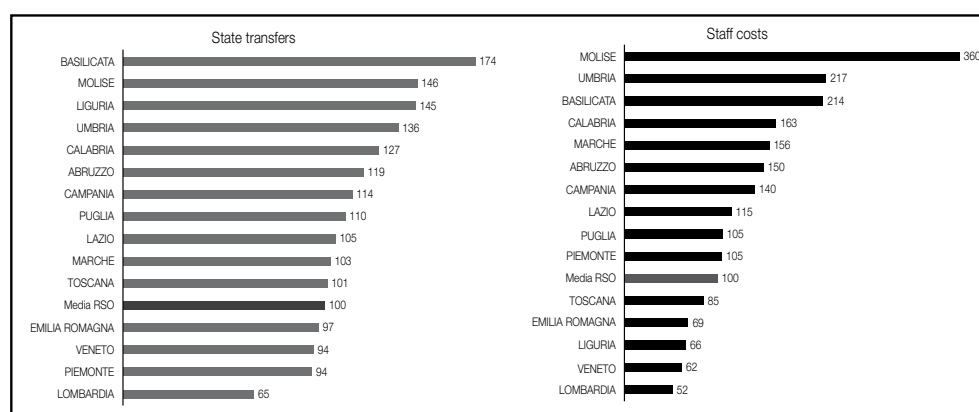
<sup>7</sup> VENETO REGION: Legislative Decree 56/2000: aims, specifications and progress report (by the Regional Ministry of Budget and Development Policies, February 2005).

figures, as was the norm in the past. It also introduces incentives for Regions that prove to set a time plan with the criteria to be used to gradually abandon the redistribution of collected VAT to the regions based on historical data to the benefit of more objective indicators. The historical expenditure criteria means that those Regions which spent more in the past are entitled to receive more public resources, without any restrictions or incentives to increase their efficiency and improve the quality of regional spending. However, the implementation of the decree has been stopped due to the opposition of some Regions that bemoan a loss of resources (as a result of calculations made on the new parameters).

The results of this deadlock is that resources continue to be distributed based on the “historical” criteria, as is shown clearly in Graph 2.3. Considering the resources that the State transfers to the Ordinary Regions under the co-participation mechanism to revenue taxes (VAT and petrol taxes) and the current transfers proper, what emerges is that 11 Regions are actually positioned above the average; only Emilia Romagna, Veneto, Piedmont and Lombardy receive a lesser amount of transfers. If we were to associate this variable with staff costs (which is the main item under running expenses), it is clear that of the 11 Regions that receive more resources there are 9 whose staff costs exceed the national average, while of the 4 Ordinary Regions that receive less transfers per capita, 3 record lower staff costs than the average.

The elements we have available suggest that the distribution of transfers based on the expenses borne in the past by the Administrations, and not on the territories’ real needs, tends to hinder the implementation of efficient and virtuous mechanisms. It is not by accident that the Regions that receive more resources from the State are the same that spend more for items - such as staff - that are closely linked to the running of an administrative structure: this is proven by statistics, according to which a 65% positive correlation between two variables tends to confirm the fact.

In the light of the above, fiscal federalism has the potential to be beneficial to the communities of each territory and to public financing, but only if it is based on principles that encourage autonomy, accountability and efficiency. The solidarity between the regions, a principle that must continue to be maintained, must however be associated to real needs and not to past levels of expenditure; closely linking financing to real needs will provide the potential to develop expenditure strategies that will necessarily be aimed at eliminating any squandering.



**Graph 2.3.** Ordinary Regions: correlation between transferred resources and staff costs (Euro per capita). Forecasts for 2007

Please note: State transfers include the co-participation in tax revenues (as envisaged in Tit. I) and revenue from current transfers from the State (as envisaged in Tit. II).  
Information processed based on the budgets supplied by Regions

## 2.4 Spending for Municipalities

This chapter ends with a brief overview on the Municipalities, that according to the new understanding of government powers outlined by Title V of the Constitution in 2001, are in charge of administrative functions which, however, in compliance with the principle of subsidiarity, are allocated to the higher levels of government.

Being on the “front line”, the Municipalities are required to tackle the increasing pressure associated with an ageing population, immigration issues and cultural integration, in addition to any disruptive events affecting the territory and the environment. And yet, the Municipal administrations are forced to govern this increasingly complex situation in a state of permanent alert, in which the allocation of the few available resources cannot be taken for granted.

Over recent years, the Municipalities have suffered a number of restrictions that have affected their capacity to really influence the development of the local social fabric. Such limitations include the block put on Irpef (Personal Income Tax) rates, restrictions on expenditure and recruitment and an internal Stability Pact based on criteria that keep changing are changed year after year, thus preventing the Municipalities from outlining any significant plans. The final result is a stop on investments that, despite a 23.7% increase in the first five years of the decade, dropped considerably between 2004 and 2005 leading to a reduction in expenditure of approximately 4.5 billion Euro (Tab. 2.6). Spending for the purchase of goods and services account for a higher portion of running expenses than staff costs, although the latter have recorded an almost 18% increase.

**Table 2.6.** *Trend of spending for Municipalities (in million Euro). Years 2000-2005*

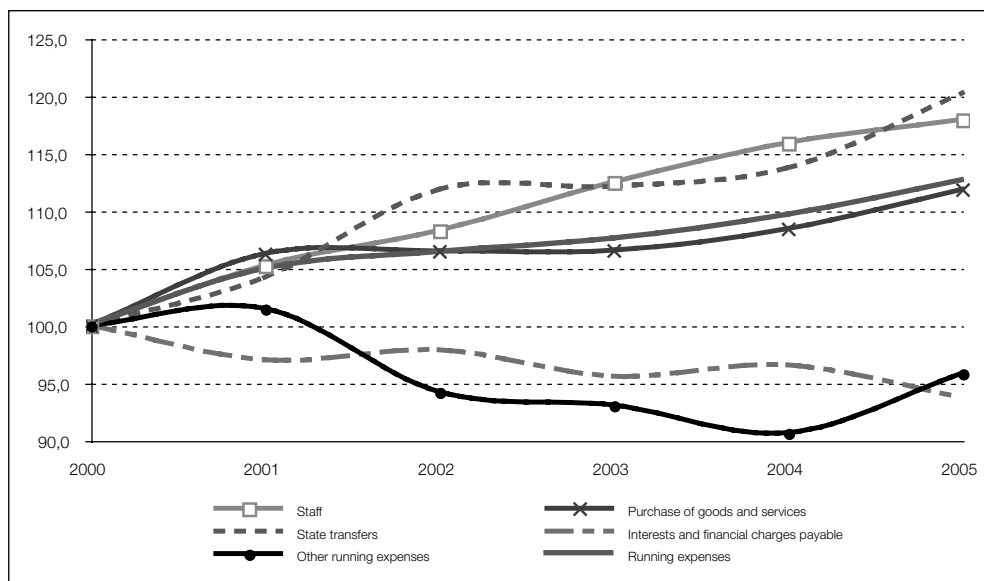
|   | 2000          | 2001          | 2002          | 2003          | 2004          | 2005          | Var.% 2000-2005 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Staff                                   | 13.325        | 14.023        | 14.430        | 14.987        | 15.445        | 15.715        | 17,9            |
| Purchase of goods and services          | 19.861        | 21.100        | 21.143        | 21.161        | 21.536        | 22.214        | 11,8            |
| Transfers                               | 4.209         | 4.385         | 4.708         | 4.718         | 4.787         | 5.060         | 20,2            |
| Interests and financial charges payable | 2.648         | 2.568         | 2.591         | 2.531         | 2.556         | 2.482         | -6,3            |
| Other running expenses                  | 2.330         | 2.364         | 2.195         | 2.168         | 2.112         | 2.233         | -4,2            |
| <b>Running expenses</b>                 | <b>42.373</b> | <b>44.440</b> | <b>45.067</b> | <b>45.565</b> | <b>46.436</b> | <b>47.704</b> | <b>12,6</b>     |
| Investments in facilities               | 15.342        | 16.629        | 18.431        | 21.413        | 23.413        | 18.973        | 23,7            |
| Furniture, equipment, etc.              | 837           | 1.059         | 1.047         | 1.236         | 1.120         | 1.123         | 34,2            |
| Capital transfers                       | 2.081         | 1.438         | 2.078         | 1.816         | 2.279         | 1.903         | -8,6            |
| Equity and contributions                | 343           | 358           | 738           | 773           | 1.148         | 629           | 83,4            |
| Other capital account expenses          | 5.431         | 7.856         | 6.790         | 6.570         | 7.949         | 11.451        | 110,8           |
| <b>Capital account expenses</b>         | <b>24.034</b> | <b>27.341</b> | <b>29.084</b> | <b>31.808</b> | <b>35.909</b> | <b>34.079</b> | <b>41,8</b>     |
| <b>Total expenses*</b>                  | <b>66.407</b> | <b>71.781</b> | <b>74.151</b> | <b>77.373</b> | <b>82.345</b> | <b>81.783</b> | <b>23,2</b>     |

(\*) net of all loan repayments

Information processed based on data supplied by MEF

However the greatest increase in current expenditure refers to transfers to families, businesses and Public Bodies (+20.2%).

Also in Municipal Administrations the weight of staff costs in the running expenses is increasing, partly due to the delays in renewing the national contract which cause rises to be compensated in the new contracts. Graph 2.4 clearly shows that the charges for staff remuneration are increasing much faster than the overall average for running expenses.



**Graph 2.4.** Trend of running expenses in Municipalities (index 2000=100). Years 2000-2005

Information processed based on data supplied by MEF

## Chapter 3    **Inexistent decentralisation: a comparison with Germany and Spain**

### **3.1 Critical issues related to federalism in Italy**

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The purpose of this chapter is to provide insight into some of the issues that have emerged in this survey, while emphasising the main critical issues in the organisation of the public service. The comparison will enable us to benchmark institutional models in force in Italy, Germany and Spain. The latter two countries have been chosen for a specific purpose: they represent two different institutional frameworks that have, one earlier in time than the other, proceeded to concretely implement the principles of federalism and decentralisation. There are also other European countries (Austria, Belgium, Switzerland) that implemented a federal framework quite some time ago: however, the choice of Germany and Spain is dictated by their demographic similarity to Italy.

They basically represent a model for Italy, the target that Italy wants to achieve or at least approach. The institutional reform in Italy has lasted, between thrusts and stalemates, at least fifteen years; the feeling is that we cannot go back on what has been started, yet at the same time, the reform process has hardly made that leap in quality that would ensure the full implementation of the new federal institutional guidelines and the achievement of those associated benefits for the community that are embedded in the reform.

The standstill causes indirect costs that mainly weigh upon the more industrious areas of the Country. On the one hand, said areas are subject to tight restrictions in terms of public financing (less spending and less investments for the local territory), while - on the other - they provide the main financial contribution to an equal distribution system that is founded on principles which hinder efficiency and virtuous behaviours.

The attempts to base the equal distribution system on more objective parameters to encourage greater independence of Local Administrations have turned out to be hard to apply. A model for the redistribution of resources amongst the Regions was outlined by Legislative Decree 56/2000. The core of its proposal was a new model for distributing the VAT collected amongst the Regions (with a fund that would contribute to financing the healthcare system and that would in fact achieve tax equalisation amongst Regions). In addition, it envisaged gradually setting aside the historical spending criteria in favour of more objective and measurable parameters. As a matter of fact, this reform is now at a standstill due to the objections raised by the Regions that were bound to receive less resources than those ensured under the historical spending model. The plan to implement Article 119 of the Constitution, which was approved by the Council of Ministers on 3rd August 2007, reopens the debate on the regional distribution system, envisaging different financing models for each type of expenditure based on assigned functions. This project would basically introduce a more virtuous distribution system, although the largest expenditure item (healthcare and social services) will still be subject to redistribution, in order to ensure that the finan-

cial needs of the regions are covered (event though it remains unclear what these “financial needs” exactly are).

As to the expenditure associated to non-essential areas, it envisages the partial coverage of regional needs, implying a diversification of the level of service provided amongst the different areas of the Country.

Fiscal federalism cannot be translated into simply shifting tax revenues from the Centre to the Local Level. The drive to adopt a more decentralised organisation of the institutions must focus on improving the state’s coffers and the quality of the expenditure - which can only be achieved by assigning greater fiscal and acting power to local entities. However, simply shifting resources and competences does not, in itself, generate any benefits to the community. The federal system is useful because it makes Local Administrations more accountable, as financing is based on a territory’s real needs. The current distribution system, on the contrary, ends up rewarding those who have spent most and not those who have spent more carefully<sup>8</sup>. It is for this reason that the main obstacle to the implementation of the quoted Article 119 is the definition of a distribution system that will be able, in addition to giving the necessary contribution to the territories with a limited collection, to generate virtuous processes in Regions and Local authorities. This aim cannot ignore the need to provide a reliable and consistent means to measure both local needs and the results for the public finances, through the implementation of effective sanctions against the administrations that do not meet the set aims.

The difficulties encountered in implementing this model are also the result of the wide gap between Italian regions in terms of wealth. Table 3.1 assesses the fiscal unbalance in some Federal or Decentralised states and the effects thereof in the equal distribution of available resources to the local authorities. The variation coefficient and the Gini index measure the distribution of wealth in a Country’s different geographical districts: the higher the indexes, the greater the internal fiscal disparity. In the Countries considered, Italy presents a more heterogeneous situation, which means that the gap between wealthier and poorer regions is higher than in the other Countries. Indeed, if we set the average tax revenue collected at 100, the wealthier regions have an index of 146, whereas the poorer regions hardly reach 24% of the national average.

Nevertheless, the State acts through the tax equalisation system to reduce unbalance between its territories. Table 3.1 tells us that the redistribution effort provided by the Italian State drastically cuts the collection gap between Regions: after redistribution, the variation coefficient decreases from 39 to 6, while the Gini index is halved. The collection capacity of the wealthier Regions decreases from 146 to 115, while the availability of resources in the poorer areas increases from 24 to 89. In sum, Italy makes a huge effort to redistribute resources amongst its territories, more than any other Federal/Regional States. However, the problem is that this tapping resources from one area to another is based on parameters that do not in fact respond to local needs. As a result, there is no full picture of the real flows and the “donor” Regions do not know how much and how the resources drawn into the “receiving” Regions are used.

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<sup>8</sup> cf. BROSIO G.: I modelli di perequazione e la difficile attuazione della Costituzione (in IRPET: Tributi in Toscana, 3/2007)

|             | Before redistribution (a) |            |  |   | After redistribution (b) |            |  |   | The effects of redistribution (a-b) |            |
|-------------|---------------------------|------------|--|---|--------------------------|------------|--|---|-------------------------------------|------------|
|             | Variation coefficient     | Gini Index | Regions with higher collection capacity (national average = 100) | Regions with lower collection capacity (national average = 100) | Variation coefficient    | Gini Index | Regions with higher collection capacity (national average = 100) | Regions with lower collection capacity (national average = 100) | Variation coefficient               | Gini Index |
| ITALY       | 39,0                      | 21,0       | 146,0  | 24,0  | 6,0                      | 10,0       | 115,0  | 89,0  | 33,0                                | 11,0       |
| AUSTRALIA   | 16,8                      | 5,0        | 103,8  | 79,8  | 0,0                      | 0,0        | 100,0  | 100,0   | 16,8                                | 5,0        |
| SPAIN       | 26,5                      | 15,0       | 142,2  | 67,2  | 10,1                     | 4,0        | 117,4  | 83,7  | 14,4                                | 11,0       |
| GERMANY*    | 13,0                      | 6,0        | 116,5  | 67,0  | 2,7                      | 2,0        | 104,5  | 97,4  | 10,3                                | 4,0        |
| CANADA      | 29,8                      | 10,0       | 177,1  | 75,0  | 20,1                     | 7,0        | 156,9  | 92,9  | 9,7                                 | 3,0        |
| SWITZERLAND | 31,8                      | 15,0       | 173,0  | 46,0  | 23,2                     | 11,0       | 159,0  | 64,0  | 8,7                                 | 4,0        |

(\*) year 2005 Information processed based on data supplied by OECD.

**Table 3.1. Fiscal unbalance amongst Federal States and effects of tax equalisation amongst the territories (% values). Year 2004**

### Notes for the interpretation of table 3.1

Table 3.1 assesses the extent of the redistribution of resources amongst the territories of some federal and regionally organised Countries (such as Italy). For this purpose, two statistical indicators were used to measure the distribution that differs from the average: the variation coefficient and the Gini index.

The variation coefficient is a dispersion index that enables the comparison of events measured with different units of measure as it is a pure number (i.e. does not refer to any unit of measure).

The Gini index is a summary measurement of the level of disparity, mainly used to assess the distribution of income: if it is zero, there is a perfect balance in the distribution of income (when all families receive the same income) and grows as disparity increases. This indicator can also be "standardised" so that the utmost disparity coincides with a value of 1 and the utmost balance with 0.

The first part of the table shows the initial circumstances in each Country, namely before the resources collected in each territory are redistributed. The first two columns show the two statistical indicators that measure the unbalance in the collection capacity amongst the territories included in each Country: a high value means that the initial conditions were characterised by a higher degree of internal heterogeneity. The next two columns present the values of the collection capacity per inhabitant of each Country if the average national per capita collection capacity is set at 100, the third column shows the value for the "wealthiest" region and the fourth shows the collection capacity of the "poorest" region.

The second part of the table takes a snapshot of the ex-post conditions, namely after the resources have been redistributed amongst the territories. What emerges is that the statistical indicators have remarkably decreased compared to the initial situation, showing that the redistribution has actually occurred. The next columns provide the values that mirror the collection capacity of the "wealthiest" and the "poorest" region: once again, the values are much closer to the national average than in the initial conditions.

The last two columns measure the effects of redistribution, namely the extent of the redistribution of resources performed in each Country. The values are provided by the difference between the statistical indicators relating to conditions before and after redistribution. High values are proof of a greater redistribution effort and as a result also a remarkable redistribution of resources amongst the territories.



This lengthy and complex review on the tax equalisation systems is necessary to outline a ‘progress report’ on the implementation of federalism in Italy: the extensive redistribution effort made by the State keeps Italy at a good distance from other Federal States. There is still a long way to go to fully implement the provisions of the reform of Title V of the Constitution. Any real progress will have to contemplate not only the need for a new organisation of the tax equalisation system but also the methods to be applied by Local Administrations to fulfil the functions they are accountable for.

In this respect, the German redistribution model may have something to teach: the redistribution of resources earmarked to realise the solidarity principle between territories does not take place through the Central State but horizontally between the same Länder. This means that there are “donor” and receiving Länder: the advantage of this system is its transparency, hence more controllable financial flows.

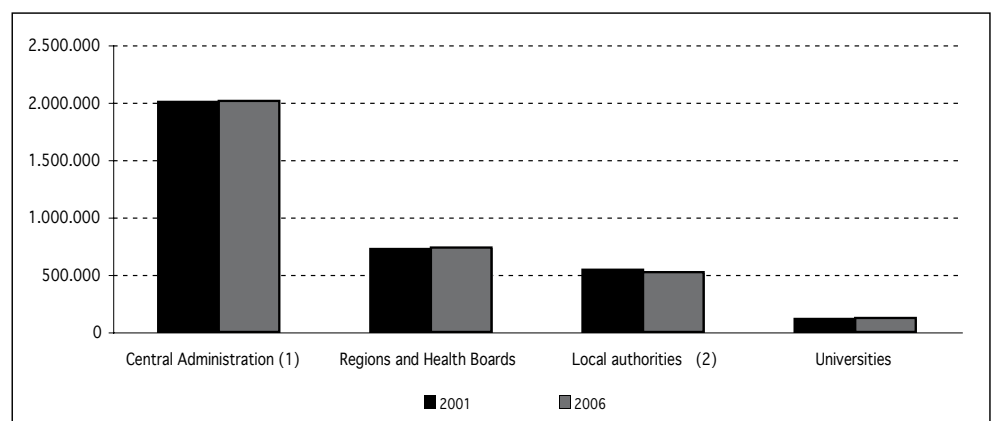
### 3.2 Staff allocation in Italy, Spain and Germany

If the redistribution system focuses on financial issues, the issue of civil service employees is actually an area in which the Local Bodies have available the necessary power and independence. This chapter will compare the distribution of civil servants in Italy, Spain and Germany. The reasons underlying this comparison were explained earlier in the text, and basically refer to the fact that these two Countries are two positive yardsticks for our system, having made clear efforts to implement some degree of federalism in their public service.

In Italy, the new organisation of the public service based on a closer involvement of the Regions and the Local authorities has not yet been translated into a suitable distribution of its staff amongst the different levels of government.

Between 2001 and 2006, no differences were recorded in terms of the relocation of staff from the Centre to the Local Administrations. In other words, the situation is ‘frozen’, with the Central State still holding the majority of the staff employed in the PAs (some 2 million units on permanent contracts). The percentages recorded in Regions (including healthcare facilities) and Local authorities basically confirm the 2001 data, although there is a slight decrease (Graph 3.1) in the number of employees on permanent contracts (who are in fact the core of the PAs).

**Graph 3.1.** Italy: employed staff on a permanent contract. Years 2001-2006

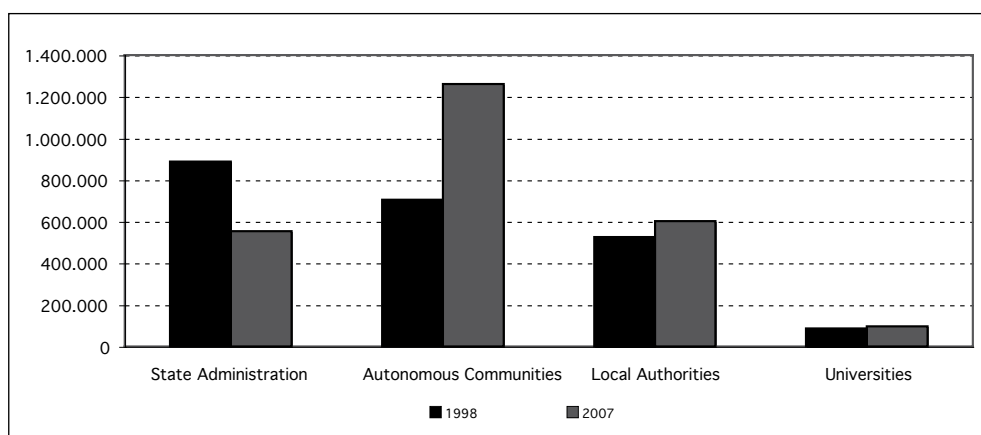


(1) includes the staff employed in social security and healthcare bodies  
 (2) includes Municipalities, Provincial Districts and other public and regional bodies  
 Information processed based on data supplied by General Accounting Office



In Spain, on the contrary, the organisation of the civil service appears to have radically changed between 1998 and 2007. The placement of civil servants has concretely complied with the reforms made in the last decade that have enhanced decentralisation and the powers of Spanish Autonomous Communities.

The first element that deserves mention is the reduction in the number of civil servants employed in the Central Administration: the state mechanism was streamlined with a percentage reduction estimated at some 38% and a decrease in staff of over 335,000 units. The Autonomous Communities, the main beneficiaries of the reforms, have enjoyed an increase of the staff they have available also as a result of the relocation of the staff formerly employed in the Central State. In 2007, the Autonomous Communities employed more than 1,200,000 civil servants, approximately 79% more than ten years earlier (Graph 3.2).



**Graph 3.2.** Spain: trend of the staff employed in the Public Administrations. Years 1998-2007

*Information processed based on data supplied by General Staff Registry*

The Local authorities have also seen an increase in the number of their civil service staff, but to a lesser extent (12%) and this is still the area of the Spanish PA that employs less staff. The data supplied by the General Staff Registry shows however a growth in the aggregate figure on the civil service, with a positive change vis-à-vis 1998 for some 300,000 units. In any case, it is clear that the structure of the Spanish PA has been completely overhauled. While in 1998 the area where most civil servants were employed was the State Administration, in 2007 it was the Autonomous Communities that recorded the highest numbers of employees.

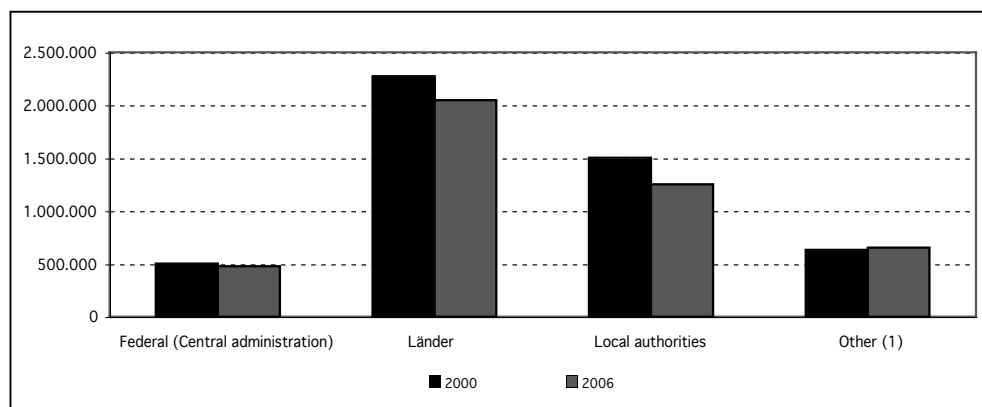
Unlike the Spanish and definitely unlike the Italian system, the German institutional framework implemented the principles of a federal state several decades ago. In the assessed period (2000-2006) no particular changes were recorded in the composition of the civil service (Graph 3.3). As in Spain, also in Germany the staff employed by the Central Administration constitute a minority (approximately 10%). On the contrary, the Länder attract the highest numbers of civil servants (approximately 45%) and the Local authorities still account for a rather important portion of civil servants (28%). By the way, the efficiency of the German system is noteworthy: unlike Spain and Italy, it has managed to cut the total number of people employed in the civil service (-7.3%).

An interesting fact is that if we take a look at numbers alone, the German Länder employ some 2 million employees, which is the figure recorded in Italy for the Central administrations (and consider that Germany has some 20 million inhabitants more than Italy!).

In sum, the placement of civil servants follows the assignment of functions and resources: the German Länder have a more incisive and broader role in defining and implementing public policies and thus have available the suitable number of staff. In Italy, on the contrary, the standstill in the organisation of the civil service (with staff concentrated in the central government) is an index of the real progress made in recent years in the decentralisation of the public service. Fiscal federalism alone is not enough: to avoid an increase in the costs borne by the Community, it is essential that the transfer of functions and resources go hand in hand with a similar transfer of civil servants from the Centre to the Local Administrations.

The-cross assessment of data on local civil servants using indicators to measure the level of decentralisation achieved, reveals the specific nature of the relationships between the Centre and the Local level in each Country. The assessed indicators are the following: the percentage of local civil servants (Regions, Provincial Districts and Municipalities) over the total civil service, the percentage of local taxes over the total of the Public Administrations and the local primary spending (net of all interests) over the total national public spending; in graph 3.4 the first two indicators refer to the axis on the left, while the third indicator refers to the axis on the right.

**Graph 3.3.** *Germany: trend of staff employed by Public Administrations Years 2000-2006*



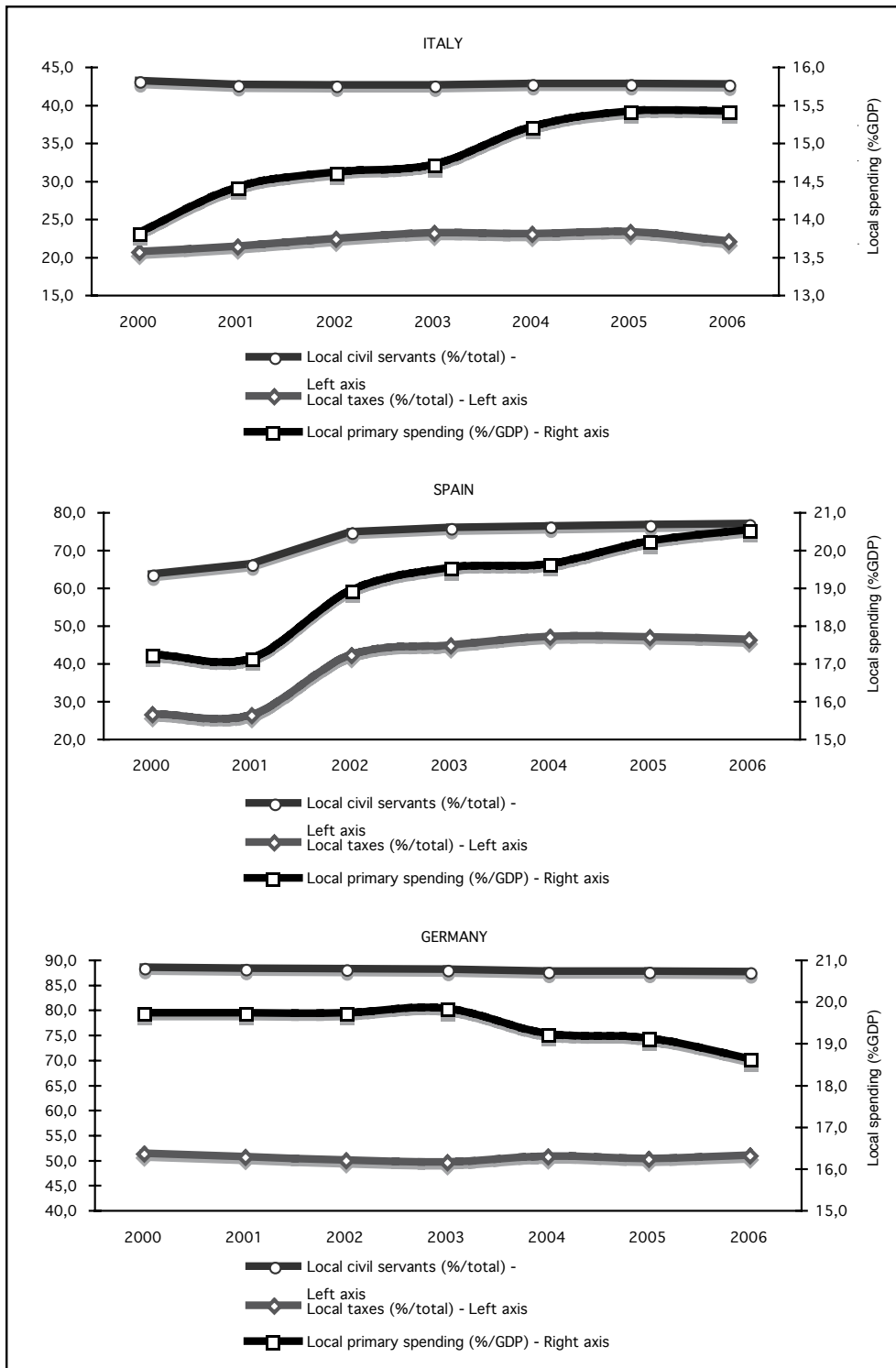
(1) Includes Associations, the Federal Railway Assets and indirect public services  
 Information processed based on data supplied by Statistisches Bundesamt Deutschland

In Italy, the progress made on the road towards federalism (such as the growth of local spending and a slight increase of the allocation of local taxes) has not materialised in terms of decentralisation of civil servants, with only very cautious steps forward having been made thanks to the so-called Bassanini laws and the reform of Title V. On the contrary, Spain has been more consistent and straight-forward in its approach, characterised by the growth of local revenues and expenses and by the gradual relocation of staff from the Centre to the Local area. Unlike the former two, the German federalist model comes forward as being mature and consolidated: a slight decrease of local spending as a ratio of the GDP as emphasised in graph 3.4 mirrors the general economic situation more than a structural change.

### 3.3 Veneto and Lombardy compared with other European Regions

The available data enable an assessment of the distribution of civil servants in the main regions of the three Countries considered. In the two German Länder

**Graph 3.4.** Staff and federalism: Italy, Spain and Germany compared. Years 2000-2006



(Bayern and Baden-Württemberg) there is still a strong presence of civil servants, approximately 55 every one thousand inhabitants. This, however, is mainly ascribable to staff employed by the Länder and the Local Bodies, while central state employees account for a definitely marginal figure (between 5.6 and 10.2%).

Compared to the two German areas, the two Spanish regions (Catalunya and the Basque Country) record a slighter concentration. Catalunya ranks as the Community with the lowest ratio of civil servants per inhabitant amongst all Spanish regions. Indeed, Barcelona and its surroundings employ just 40 civil servants every one thousand inhabitants and, of the latter, only 4.4 are employed in the Central Administration offices (Tab 3.2).

Spanish and German regions present a very similar distribution of staff amongst levels of government. By contrast, Lombardy and Veneto have a very different organisation. More than 56% of civil servants in these regions report to the Central State and just 22-26% are employed by Regional Bodies (including Health Boards and Hospitals). As regards the density of the resident population, Lombardy and Veneto are positioned between the averages for Catalunya and the Basque Country, with 43.9 e 48.5 units per one thousand inhabitants respectively.

Veneto and Lombardy, two regions that are used to competing on European and World markets, consider federalism as a means to ensure more available resources for the local territory (while ensuring the necessary solidarity amongst regions), in order to support the growth of the local economy and industry. Nevertheless, the constant demands made by Veneto and Lombardy to be granted greater powers and more functions are in clear contrast with the shown data. In these Regions, the path towards greater autonomy necessarily requires a reorganisation of the civil service with the relocation of civil servants from the Centre to the Local Level.

The Regions need more civil servants because the latter are the main tool available to regions to implement their policies and thus really make a difference to the local social and economic fabric. On this issue, it is enlightening to read the opinions expressed by the Court of Auditors in a recent report<sup>9</sup> on the local structures of the Central administrations and their relationship with the local territory.

*It is sometimes required that (...) the local offices enter into direct relationships or directly contact the local government system, however the final decision, the finalisation of agreements, etc. and more generally the negotiation capacity to which the State administration is committed, is performed at the central level; if any, only execution acts are delegated to the local offices. The result is the maintenance of structures that are in charge of tasks that, in compliance with the new Title V are to be "subject to negotiation" with the regions, as a sign of the fair cooperation that should characterise, now more than ever before, the relationship between two subjects whose autonomy is equally granted (...) but in reference to which there are no grounds for a joint or co-implementation together with regions and local authorities.*

*Various ministries have been organised into departments; this means that the increase in the number of executives is matched by an expansion of the local central state offices. (...) the division of the central government into departments extends the control chain, thus leading to executive offices being in fact tantamount to general directions.*

*The central administrations are virtually the sole counterparties for local central state offices and, with just a few exceptions, no provisions have been made for them to relate directly (i.e. without the mediation of the central government) with the regional-local levels depending on the results that they want to provide to the community in terms of services, infrastructure, etc. These are offices whose planning capacity is restricted by the central go-*

<sup>9</sup> COURT OF AUDITORS: Points for the audition before the Commission for Institutional Affairs of the Chamber of Deputies (20 November 2007).

vernment, with resources allocated for a binding scope and lacking a budget to invest in actions or activities other than those that were defined, authorised or shared with the central administration; this takes place regardless of the provisions of Law 59/1997 (and the constitutional reform of 2001 demanding) requiring the experimentation of new means of “co-operation” between state and regional or local administrations to implement - as stated in Law no. 59/1997 - “co-operation and co-ordinated actions” among the different levels of government. In other words, the decentralised central government offices simply acts as terminals of the central government, rather than acting as structures whose executives - as envisaged by Leg. Dec. no. 165/2001 - perform using “independent powers of expenditure” and are “solely responsible” of management issues and the results arising from the recourse to the human, financial and instrumental resources they are allocated (...).

(The local central government offices are...) structures that instead of acting as the central state’s window onto the autonomous levels of government, flaunt their state functions over the latter. Thus, they are symbols of centralisation, instead of representing decentralisation.

Clearly, the differences between the considered Regions are not limited to a different distribution of civil servants, but also to the way available resources are invested. What emerges is a remarkable gap between Italian regions and the regions of the two Federal States considered (Graph 3.5). The revenues of Veneto and Lombardy only just exceed 2,000 Euro per inhabitant, whereas the Autonomous Communities of the Basque Country and Catalunya can benefit respectively of 3,388 and 2,965 Euro per inhabitant. In an intermediate position, but with values in any case more similar to those of the Spanish regions, there are the German Länder of Baden-Württemberg and Bayern, with revenues of approximately 2,700 Euro per capita.

|                                  | Central administrations | Autonomous Communities/ Regions and Health Boards/ | Local Bodies | Other (1) | Total   |
|----------------------------------|-------------------------|--|--------------|-----------|---------|
| <b>No. employees</b>             |                         |  |              |           |         |
| Cataluña                         | 30.783                  | 147.793  | 92.126       | 6.847     | 277.549 |
| Pais Vasco                       | 14.515                  | 60.245   | 29.082       | 2.466     | 106.308 |
| Lombardia                        | 235.920                 | 93.265   | 74.359       | 12.559    | 416.103 |
| Veneto                           | 129.070                 | 60.363   | 33.711       | 6.686     | 229.830 |
| Baden-Württemberg                | 32.700                  | 255.800  | 204.000      | 96.200    | 588.700 |
| Bayern                           | 69.500                  | 302.000  | 193.200      | 116.200   | 680.900 |
| <b>% breakdown</b>               |                         |  |              |           |         |
| Cataluña                         | 11,1                    | 53,2   | 33,2         | 2,5       | 100,0   |
| Pais Vasco                       | 13,7                    | 56,7   | 27,4         | 2,3       | 100,0   |
| Lombardia                        | 56,7                    | 22,4   | 17,9         | 3,0       | 100,0   |
| Veneto                           | 56,2                    | 26,3   | 14,7         | 2,9       | 100,0   |
| Baden-Württemberg                | 5,6                     | 43,5   | 34,7         | 16,3      | 100,0   |
| Bayern                           | 10,2                    | 44,4   | 28,4         | 17,1      | 100,0   |
| <b>Employees per 1000 inhab.</b> |                         |  |              |           |         |
| Cataluña                         | 4,4                     | 21,3   | 13,3         | 1,0       | 40,0    |
| Pais Vasco                       | 6,9                     | 28,5   | 13,8         | 1,2       | 50,3    |
| Lombardia                        | 24,9                    | 9,8  | 7,8          | 1,3       | 43,9    |
| Veneto                           | 27,2                    | 12,7   | 7,1          | 1,4       | 48,5    |
| Baden-Württemberg                | 3,0                     | 23,8   | 19,0         | 9,0       | 54,8    |
| Bayern                           | 5,6                     | 24,2   | 15,5         | 9,3       | 54,6    |

**Table 3.2** Distribution of civil servants in some regions of Spain, Italy and Germany

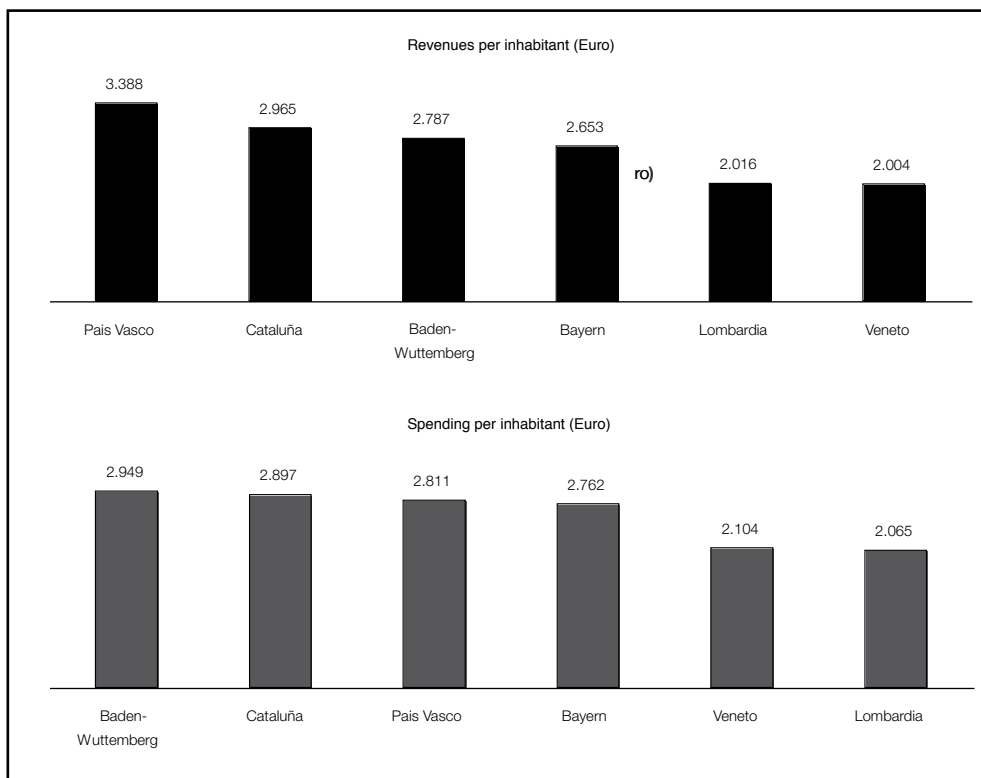
Spain: civil servants employed as of 1st January 2007. Italy: civil servants on a permanent contract as of 31 December 2006; the local authorities include Municipalities, Provincial Districts and other local and regional public bodies. Germany: civil servants as of 30 June 2006.

(1) For Spain and Italy it includes Universities; for Germany it includes Associations, Federal Railway Assets and indirect public services.

Information processed based on data supplied by the Italian General Accounting Office, Registro Central de Personal and Statistisches Bundesamt Deutschland

The higher revenues available translate into broader spending options on the territory. Also in this area, the figures for Veneto and Lombardy are lower than 2,100 Euro per inhabitant, unlike the other German and Spanish Regions that can spend and invest in infrastructure, schools, roads, law and order for amounts ranging between 2,762 and 2,949 Euro per inhabitant.

**Graph 3.5.** Revenues and spending, Germany and Spain compared. Year 2005



*Information processed based on data supplied by various sources*

## Chapter 4 Some efficiency indicators

### 4.1 The concept of “own expenditure”

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The measurement of the level of efficiency of Public Administrations is as difficult as it is essential. The previous chapters emphasised that it is crucial to launch a broad process aimed at improving the quality of public spending, more than simply achieving a reduction of amounts spent. To do this it is necessary to constantly monitor the performance of the Public Administrations to assess whether they achieve or fall short of their targets using objective and measurable criteria. The problem of the objectivity of the mechanism also affects the implementation of federalism itself. It has been highlighted that by continuing to finance the Regions on the basis of historical criteria rather than on their real needs (i.e. objective parameters) does not favour the containment and improvement of spending. For the civil service, on the contrary, the assignment of pay rises based on the expectation of improvements of productivity that are not measurable, on the one hand contributes to increasing public spending and, on the other, does not enable the increase of internal efficiency in the PA.

The measurement of efficiency in the PA is not easy: the public service generates goods and services for the community and, by definition, it is hard to pin them to any free market principles. Productivity is measured as a ratio of the final product (supplied services) to the factors used during the process (staff, other running expenses). The problem is that while the value of the denominator is known and measurable, the same is not true for the numerator, i.e. the services rendered to the community.

At this stage, we shall restrict our assessment to a descriptive overview of the employed public resources (along the lines of the report's previous chapters), also because the comparison between the different levels of Public Bodies simply adds complexity to the scenario.

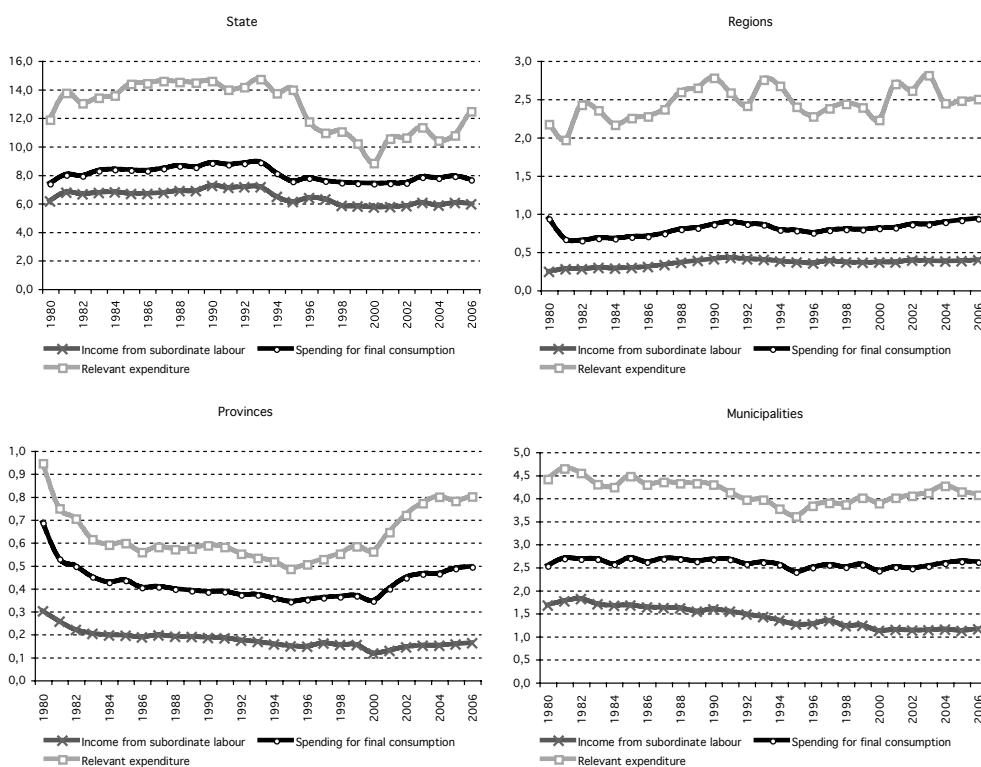
Let us consider the Central State, Regions, Provincial Districts and Municipalities and identify their respective own expenditure: this concept relates to the actual spending managed by each body, clearly net of all interests and transfers to other Public Administrations. In 2006, the own expenditure available to the Central State was 12% of GDP, whereas Municipalities had available approximately 4.5% of the GDP and the Regions 2.5%. The lower amounts available to the Regions are justified by the fact that spending for healthcare is not allocated by the Region but by the Health Boards (Graph 4.1).

The spending for final consumption, which is an entry under the own expenditure item, is comparable to the running expenses: for this item, the State spends about 12% of the GDP, whereas the Municipalities and the Regions stand at 2.5% and 1% of the GDP respectively. The main entry under the final consumption item is associated to staff costs: also in this area the Central State records the highest levels, namely approximately 6% of GDP. Comparing staff costs to own expenditure, i.e. the amounts actually managed, provides an indirect indication of the efficiency of each individual administration. The incidence



of the staff item on the Central State's own expenditure is 53.5%: the trend for the "staff" item shows an apparent growth since the mid 1980's in spite of a slowdown during the last five years (Tab 4.1).

**Graph 4.1** *Trend for the main spending items for Public Administrations (as a % of the GDP). Years 1980-2006*



- (a) The own expenditure includes the total spending, net of interests and transfers to other Public Administrations.
- (b) The spending for final consumption includes the costs borne to run the administrative machinery (and includes staff remuneration).

*Information processed based on data supplied by ISTAT*

For the Municipalities, on the contrary, this figure does not exceed 27.6% for the 2001-2006 period; unlike the Central State, the Municipalities are gradually cutting the incidence of this spending item over the total relevant expenses, releasing greater resources that can thus be earmarked for more urgent public needs. Similar to the Municipalities, the Provincial Districts record a lower incidence of staff costs over the total relevant amounts available, having decreased from 32.5% for the period 1980-1984 to 19.7% for the period 2001-2006. Finally, there are the Regions that, net of all expenses for the management of the healthcare system, record the lowest incidence of staff with figures for the last fifteen years stably standing at around 15%.

The definition of the concept of "own expenditure" can be useful to clarify the role of each institutional level in the framework of public tasks. Although it is always difficult to compare different levels of government, it is clear that the Regions and the Local authorities are characterised by a better ratio of staff costs to the relevant areas they manage (i.e. their "own expenditure"). It is impossible to estimate the consequences of a considerable decentralisation of staff and their relocation from the Central administrations to the local ones. However, the data available reasonably suggests that a new decentralised organisation of the public sector does in fact promote improvement in terms of the efficiency of allocations that in turn gives rise to a reduction of overall costs.



|  | Central Government | Regions | Provincial | Municipalities |
|--|--------------------|---------|------------|----------------|
| (a) Relevant expenditure (% GDP)               |                    |         |            |                |
| 1980-1984                                      | 13,1               | 2,2     | 0,7        | 4,4            |
| 1985-1989                                      | 14,5               | 2,4     | 0,6        | 4,4            |
| 1990-1994                                      | 14,2               | 2,6     | 0,6        | 4,0            |
| 1995-2000                                      | 11,1               | 2,3     | 0,5        | 3,8            |
| 2001-2006                                      | 11,0               | 2,6     | 0,8        | 4,1            |
| (b) Income from subordinate employment (% GDP) |                    |         |            |                |
| 1980-1984                                      | 6,6                | 0,3     | 0,2        | 1,7            |
| 1985-1989                                      | 6,8                | 0,3     | 0,2        | 1,6            |
| 1990-1994                                      | 7,0                | 0,4     | 0,2        | 1,5            |
| 1995-2000                                      | 6,0                | 0,4     | 0,1        | 1,2            |
| 2001-2006                                      | 5,9                | 0,4     | 0,1        | 1,1            |
| (b/a) Ratio (%)                                |                    |         |            |                |
| 1980-1984                                      | 50,4               | 12,3    | 32,5       | 38,8           |
| 1985-1989                                      | 46,7               | 13,7    | 33,0       | 37,0           |
| 1990-1994                                      | 49,3               | 15,1    | 31,0       | 36,6           |
| 1995-2000                                      | 54,0               | 15,4    | 27,3       | 32,1           |
| 2001-2006                                      | 53,5               | 14,6    | 19,7       | 27,6           |

a) The own expenditure includes total expenditure, net of interests and transfers to other Public Administrations.

*Information processed based on data supplied by ISTAT*

**Table 4.1** *Trend of main spending items of Public Administrations. Averages for the period (% /GDP)*

## 4.2 Possible saving

Throughout this paper, we have undertaken a comparative analysis with the institutional systems of Italy, Germany and Spain; we have provided an in-depth assessment of the federal structure in these three countries, with special reference to the issues that are critical for public spending in Italy. The reasoning underlying this comparison is that by generating a greater degree of autonomy and accountability of sub-central systems, Federal systems encourage a better allocation of overall public spending and a more careful use of the resources made available.

These considerations have been brought to light in several occasions in this report. We will now provide some examples of how public resources are used differently in Italy and in the two Federal States of Spain and Germany. Far from being indicators of the efficiency of the Italian PA, the elements that will be presented intend to provide some evidence and help restate how crucial the issue of the quality of public spending is for Italy.

The first element focuses on the expenditure for intermediate goods: this item includes all the costs for goods and services used during the production process, whereby they are either transformed or exhausted<sup>10</sup>. This aggregate expense item includes the costs borne to run the complex Public Administration machinery, including for example specific types of goods (stationary, fuel) and services (power, electricity, water, telephones).

In 2006 in Italy, this expense item amounted to 5.3% of the GDP, against 5% in Spain and 4.2% in Germany. That Italy spends more to run the administrative machinery is even more evident if we consider these figures in comparison to each Country's population: also in this area, Italy records higher costs, with a per capita spending (at purchasing power parity) for intermediate goods

<sup>10</sup> Definition provided by the European system of accounts (ESA95)

of 1,288 Euro, a figure that exceeds the 1,130 Euro spent in Germany and 1,251 in Spain (Graph 4.2).

If we compare Italy to the two other European countries, the former has the highest concentration of civil servants per population. In Italy there are approximately 3.6 million people employed in the PA which, in relationship to the population, means 61.8 employees every one thousand inhabitants. Spain and Germany, with 2.5 and 4.5 million civil servants respectively, record much lower figures, namely 57.4 and 55.4 every one thousand inhabitants.

This report has already emphasised that staff spending is high in Italy (11% of GDP), against 10% in Spain and just 7.2% in Germany. It is worth noting that this spending item refers both to the employees' gross remuneration and the social security contributions paid in by the State as an employer. Comparing staff costs and the number of employees, the lowest figures are found in Germany with approximately 1,130 Euro per inhabitant (at purchasing power parity). In 2006, Spain and Italy registered similar figures (just over 43,000 Euro), despite the rather worrying rate of growth of charges in Spain against 2005.

Up to here, the assessment is purely descriptive in nature. However, it is possible to take things a little further to try and simulate the position of the Italian PA if it were to adopt the same standards used in Germany and Spain. Although debatable, this exercise does seem to provide some useful information to prepare a broad estimate of the extra costs that the Italian PA bears in comparison to two Federal States such as Spain and Germany.

The exercise presents two scenarios, that we will call "A" and "B" (Tab. 4.2). Scenario "A" focuses on per capita spending parameters for intermediate goods and the ratio of civil servants in reference to the population. If Italy's indicators were the same as those recorded in Germany, the minimum saving could exceed 26 billion Euro, namely 1.8% of the GDP; similarly, if Italy "copied" Spain, the estimate of the reduction in spending amounts to almost 14 billion Euro, namely 0.9% of the GDP: however, if we consider the year 2005, the Spanish model would enable an even greater saving, i.e. approximately 1.6% of GDP.

It is also clear that if Italy had the same per capita concentration of civil servants as Germany, the employees of Italian PAs would have to be reduced by some 380,000 units, while using the Spanish performance indicators, the cuts would affect about 260,000 units.

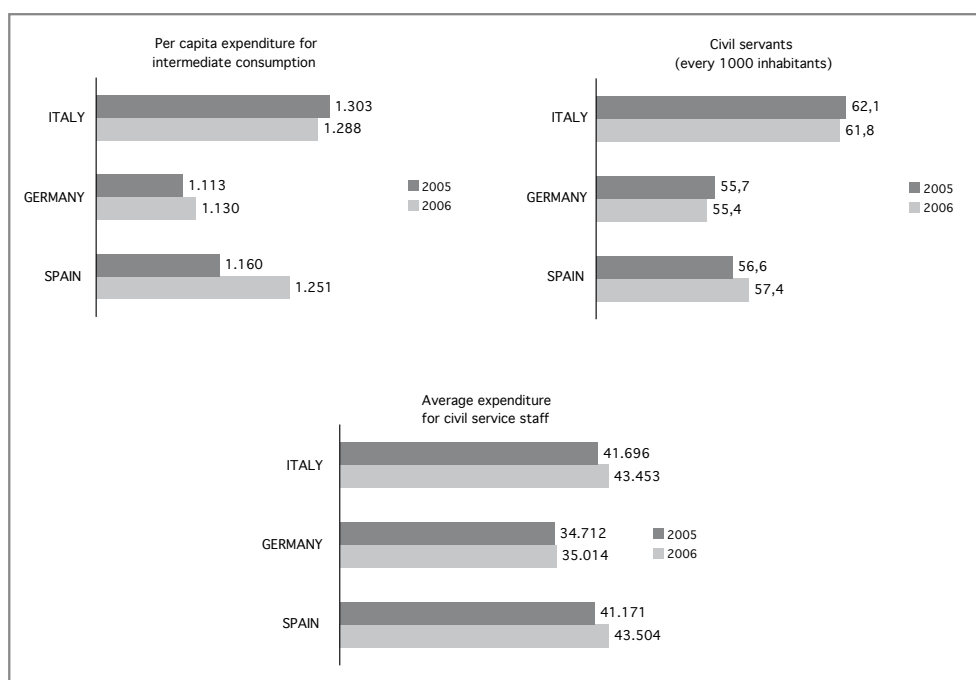
**Table 4.2** Possible saving in spending for Italy. Years 2005 and 2006

|                     | Scenario "A" |        | Scenario "B" |        |
|---------------------|--------------|--------|--------------|--------|
|                     | 2005         | 2006   | 2005         | 2006   |
| in millions of Euro |              |        |              |        |
| German model        | 27.554       | 26.637 | 51.102       | 54.991 |
| Spanish model       | 22.505       | 13.893 | 24.305       | 13.717 |
| % GDP               |              |        |              |        |
| German model        | 1,9          | 1,8    | 3,6          | 3,7    |
| Spanish model       | 1,6          | 0,9    | 1,7          | 0,9    |

Scenario "A": considers the number of staff and spending for intermediate goods

Scenario "B": considers the number of staff members, spending for intermediate goods and the average cost per employee

*Information processed based on data supplied by Eurostat and other sources*



Information processed based on data supplied by Eurostat and other sources

**Graph 4.2** Public spending: reference indicators. Years 2005 and 2006

The exercise on scenario “A” already provides some interesting data. However, if we wanted to go beyond a mere simulation, we could broaden the parameters used to include also the average cost of staff per employee (at purchasing power parity). This exercise (scenario “B”) leads the estimated saving, when resorting to the German model, to increase up to 3.7% of GDP. As to Spain, on the contrary, the saving would confirm the previous 0.9% of GDP as revealed in scenario “A”, as in 2006 Spain and Italy had similar costs for staff (see graph 4.2).

However, as the breakdown of the remuneration items differs between countries, thus leading to different staff costs structures, we believe that it is more useful to dwell upon the results provided by scenario “A” also in consideration of the information currently available. The results provided by this scenario really are interesting: savings for almost 27 billion a year from cutting staff to German standards and the reduction of the costs of the administrative machinery are an excellent starting point to launch a new streamlined and more efficient approach for the Italian Public Administration.

To corroborate the previous positions, we would now like to present some interesting data on public finances that quite aptly summarise some issues associated to the procurement and use of public resources in Italy, Germany and Spain<sup>11</sup>.

In Italy, public spending (48.4% of GDP) is higher than that of both Germany and Spain: the gap with the Spanish scenario is actually 10% of the GDP. To try and provide a qualitative assessment of the situation, we have broken down public spending into two macro-components: “fixed” and “investment” expenditure (Tab 4.3).

<sup>11</sup> For further details please refer to the relevant table in the appendix

**Table 4.3.** *The structure of public spending (as a % of the GDP). Average 2002 -2006.*

|                             | ITALY | GERMANY | SPAIN |
|-----------------------------|-------|---------|-------|
| Total expenditure           | 48,4  | 47,2    | 38,6  |
| "Fixed" expenditure         | 21,2  | 14,7    | 20,9  |
| Employed staff              | 10,9  | 7,6     | 10,0  |
| Intermediate goods          | 5,3   | 4,2     | 8,8   |
| Interests                   | 5,0   | 2,9     | 2,1   |
| Expenditure for investments | 27,2  | 32,5    | 17,7  |
| Other running expenses*     | 22,8  | 29,6    | 12,7  |
| Capital account expenditure | 4,4   | 3,0     | 5,0   |
| p.c. Fiscal burden          | 41,1  | 40,3    | 35,4  |

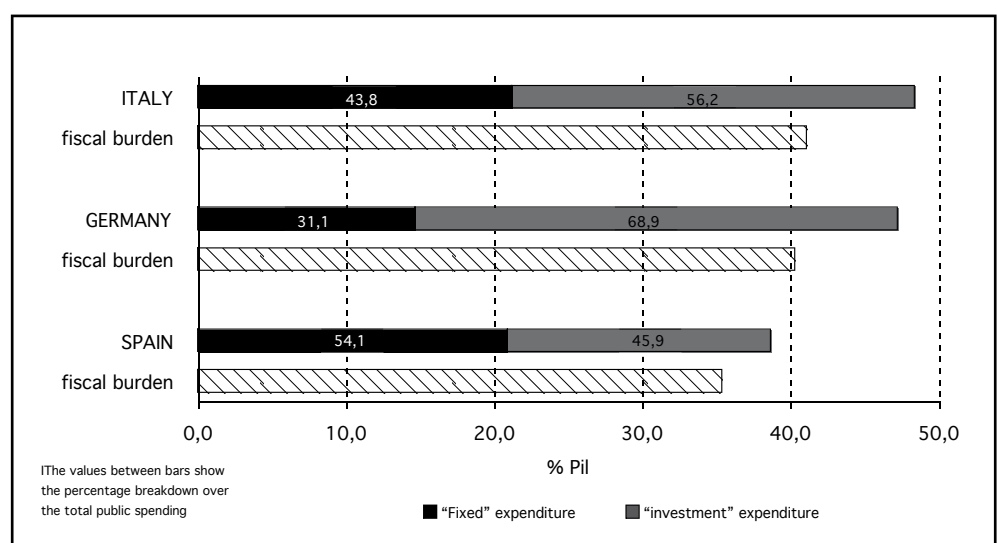
(\*) including health, social services, social security. Information processed based on data supplied by OECD and Eurostat

The “fixed” expenditure includes the outlays for staff, intermediate goods and interests payable: in principle, this is the spending that does not refer to services for the community but rather the fixed costs needed to run the PA. On the other hand, the so-called “investment” expenditure estimates the resources allocated to the services that are in fact the Public Administrations’ “mission”: they include education, health, social security, erection and maintenance of tangible and intangible infrastructure, the protection of the territory.

This classification, that has of course its limits, can still help provide a means to clarify how public resources are used in the three Countries considered. Please note that the “fixed” expenditure is higher in Italy (21.2% of GDP), mainly as a result of spending for staff and interests on the national debt. The “investment” expenditure, on the contrary, is highest in Germany (32.5% of GDP), with Italy lagging behind by at least 5% of GDP.

If we take a look at graph 4.3, it tells us that Italy is less careful in the use of public resources compared to the other Countries. Italy and Germany have a similar tax burden, respectively 41.1% and 40.3% of GDP (average for the

**Graph 4.3.** *The structure of public spending (as a % of GDP). Average 2002 -2006*



Information processed based on data published by OECD and Eurostat

2002-2006 period). However, the use of tax revenues is rather different: in Italy the “fixed” expenditure amounts to 43.8% of the total, while in Germany this item stands at 31.1% of the total. It is clear that Germany mainly uses its tax revenues to finance welfare and investments (68.9%), whereas Italy’s allocation for these two items is smaller (56.2% of total public spending).

The comparison with Spain leads us to other considerations. Based on the type of classification we have used, Spain has higher levels of “fixed” expenditure than Italy (54.1%). As a result, the resources for investments for the community stand at 45.9% of the total, against 56.2% recorded in Italy.

However, it is essential to bear in mind not only the items included under this spending item, but also the weight of the fiscal burden on citizens and businesses: in Spain, the fiscal burden amounts to 35.4% of GDP, whereas in Italy it is at least 6% higher. The moderate “investment” expenditure borne by Spain is somehow compensated by one of the lowest fiscal burdens in Europe, that indirectly encourages greater investment opportunities for businesses and private citizens.

## Conclusions

### A lot of unwise spending

The framework of Italian public finances is characterised by a range of critical issues, including the lack of quality considerations in spending. The main issues that hinder the use of public resources to more specifically targeted the citizens' real needs are the following:

- a) the rigid nature of the national budget that provides for compulsory expenses for up to 90% of the total expenditure;
- b) the remarkable weight of staff expenditure (approximately 25% of the budget);
- c) the weak effectiveness of administrative actions;
- d) the incomplete application of the principle of accountability.

Add to all these issues the failure to implement fiscal federalism and the provisions of the latest version of Title V of the Constitution. All these delays prevent the Country from enjoying the advantages of a more decentralised institutional framework.

### Focus on civil service employees

In Italy, 56% of civil servants works in the Central Administrations against 44% employed in the Local administration (Regions, Health Boards, Provincial Districts, Municipalities). As a result, Italy is more "centralised" than the average of main EU States: in Germany just 11% of staff is employed in the Central Government, while in Spain this figure stands at 38%.

The problem of the excessive public spending in Italy cannot be resolved by reducing the staff employed in the Provincial Districts or in the Mountain Communities, that represent 1.7 and 0.2 % respectively of the total, but rather by streamlining the central civil service.

### An expanding civil service

The civil servants employed in Central Administrations have increased by 1.6% since 2001, while the total figure for the Local Administrations records a 2.1% increase. Despite the approval in 2001 of the new principles underlying the allocation of administrative functions (with Municipalities coming first, followed by the other levels of government), the overall framework of the civil service has remained unchanged. The increased number of employees on the local level has not been matched by the simultaneous reduction of the machinery associated to the Central administrations.

As a result, the Local Bodies are forced to manage approximately 36-37% of the overall public spending while accounting for 42% of civil servants. By contrast, the Central state accounts for a smaller portion of public spending in comparison with Local Administrations (approximately 24%), but accounts for over 56% of the available staff.

### **More employees in the Special Statute Regions**

In 2006, in Italy there were 5.716 civil servants on permanent contracts every 100 thousand inhabitants, a proportion that has grown since 2002. However, this growth is mainly ascribable to the Ministerial offices while a remarkable decrease has been recorded in the number of people employed in Municipalities, Health Boards and Ordinary Regions.

This proves that there is a concentration of civil servants in the territories managed by the regions with special statute status, in all the areas of the PA. Although the organisation of public powers in the Autonomous Regions envisages a reduced presence of the Central State to grant more competencies to the regional body, in the more “autonomous” areas of the Country, there are still 3,295 Ministerial civil servants every 100 thousand inhabitants, against 3,089 recorded in Ordinary Regions.

### **Extreme differences in the average remuneration**

Clear differences emerge in reference to the average remuneration in the different areas of the PA. The highest average remuneration is ascribable to the staff employed in the constitutional bodies (more than 61,000 Euro p.a.). The average remuneration of the staff employed in the Ministries (approximately 30,559 Euro) is lower than the civil service average (32,802), but it is definitely higher than the average remuneration in Provincial Districts and Municipalities (between 26 and 28,000 Euro p.a.).

### **Increasing staff costs**

In Italy, spending for staff amounts to 11% of the GDP: this value is just above the European average (10.7%), standing at an intermediate level between the lowest levels recorded in Spain (10%) and Germany (7.2%) and the higher costs borne in France (13.1%) and the United Kingdom (11.4%). Whereas the main Countries (the United Kingdom is not included) are attempting to reduce staff costs, Italy has gradually increased the costs borne under this item by 0.5% of the GDP. Germany instead has cut its spending for civil servants by 0.7% of the GDP in just five years.

### **Staff costs drive expenditure in the Ministries**

Between 2000 and 2007, staff costs in the Ministries grew at a faster rate than the total own spending ascribable to the Ministries, namely 24% e 20% respectively. For some years, the comparison between expected and actual costs shows enormous discrepancies: more specifically, between 2004 and 2006 the expected spending for the Ministries were constantly underestimated if compared to the final amounts. The staff item is driving up the public spending attributable to Ministerial offices. Remuneration increased by 5.5% between 2002 and 2006, whereas the own expenditure of all the Ministries stood at 5.1%. In order to improve public spending, it is essential to rigorously and effectively contain staff costs, by linking any rises more closely to issues of productivity and efficiency.

### **Large discrepancies between the expenditure of the Regions**

The different allocation of resources and competencies hinder a homogeneous comparison between the Ordinary Regions and the Regions with special statute status.

More specifically, the average per capita expenditure in 2003-2005 for staff amounted to 364 Euro in Special Statute Regions and 43 Euro in Ordinary Regions; similarly, the expenses for the purchase of goods and services in Autonomous Regions appear to be much higher than those of the fifteen Ordinary Regions, accounting respectively for 206 and 61 Euro per capita.

### **A broad equalisation effort...**

The redistribution effort made by the Italian State by means of various equalisation mechanisms drastically cuts the discrepancies between the Regions' collection capacities. Italy makes a huge effort to reallocate resources amongst the territories, with levels exceeding any other Federal States/Regions. However, the problem is that this tapping resources from one area to another is based on parameters that do not in fact respond to local needs, there is no full picture of the real flows and the "donor" Regions do not know how much and how the resources drawn into the "receiving" Regions are used.

### **... that does not encourage efficiency**

The current system used to redistribute resources amongst the fifteen Ordinary Regions does not encourage efficiency. There are eleven Regions that receive more than the average amount of resources allocated by the State to Ordinary Regions (as transfers and co-financing). Amongst the Regions that receive a greater amount of resources, there are nine that also exceed the national average for staff costs. On the other hand, among the four Ordinary Regions that receive less transfers per capita, there are three (Emilia Romagna, Veneto and Lombardy) where the registered staff costs are lower than the average. Therefore, the distribution of transfers based on the expenses borne in the past by the Administrations and not on the territories' real needs tends to hinder the implementation of efficient and virtuous mechanisms. It is not by accident that the Regions that receive more resources from the State are the same that spend more for items - such as staff - that are closely linked to the running of an administrative structure (such as staff).

### **Civil servants: no change in Italy, Spain decentralises, Germany cuts**

In Italy, there is a clear concentration of civil servants in the central administrations: however, despite the provisions of the new Title V of the Constitution, the distribution of the civil service amongst the levels of government has remained unchanged. By contrast, over the last ten years, the Autonomous Communities have 'replaced' the central government in Spain and today, most civil service employees work in the local levels of government. The structure of the German staff has not changed in recent years: there are more civil servants employed in the Länder than there are in the Central State. However, unlike Italy and Spain, Germany has gradually reduced the number of employees in the civil service.



### **In Federal States, the local level receives more resources**

The differences affect not only the staff but also the resources available. The revenues of Veneto and Lombardy are just over 2,000 Euro per inhabitant, whereas the Autonomous Communities of the Basque Country and Catalunya benefit respectively of 3,388 and 2,965 Euro per inhabitant. In an intermediate position, but with values in any case more similar to those of the Spanish regions, we find the German Länder of Baden-Württemberg and Bayern, with revenues of approximately 2,700 Euro per capita. More revenues translate into more spending opportunities for the local territory (on infrastructure, schools, roads, law and order).

### **Not following the German and Spanish models costs us almost 2% of the GDP**

Compared to Germany and Spain, Italy has the highest ratio of civil servants per inhabitants: in Italy, there are 61.8 civil servants every one thousand inhabitants. The figures recorded in Spain and Germany are definitely slighter, namely 57.4 and 55.4 respectively every thousand inhabitants. The spending for intermediate goods (costs borne to run the complex machinery of the Public Administration) penalises Italy. Italy records capita expenses for intermediate goods of 1,288 Euro, well above Germany's 1,130 Euro and Spain's 1,251.

If Italy's indicators were more similar to those recorded in Germany, we could save almost 27 billion Euro (1.8% of GDP); on the other hand if it were to "copy" the Spanish performance for 2006, its spending would decrease by almost 14 billion Euro (0.9% of GDP).

## Statistical Appendix

**Table 1** Ministries: staff employed on a permanent contract. Year 2006

| MINISTRY                               | Number           | % | breakd.      |
|--|------------------|---|--------------|
| EDUCATION, UNIVERSITY AND RESEARCH     | 1.159.562        |   | 62,6         |
| DEFENSE                                | 273.795          |   | 14,8         |
| HOME AFFAIRS                           | 161.609          |   | 8,7          |
| JUSTICE                                | 102.254          |   | 5,5          |
| ECONOMY AND FINANCE                    | 82.908           |   | 4,5          |
| CULTURAL HERITAGE AND EVENTS           | 20.618           |   | 1,1          |
| INFRASTRUCTURE AND TRANSPORT           | 16.789           |   | 0,9          |
| AGRICULTURE AND FORESTRY               | 9.622            |   | 0,5          |
| LABOUR AND SOCIAL POLICIES             | 8.081            |   | 0,4          |
| FOREIGN AFFAIRS                        | 7.326            |   | 0,4          |
| HEALTH                                 | 2.270            |   | 0,1          |
| PRESIDENCY OF THE COUNCIL OF MINISTERS | 2.108            |   | 0,1          |
| COMMUNICATION                          | 1.779            |   | 0,1          |
| INDUSTRY                               | 1.750            |   | 0,1          |
| ENVIRONMENT AND TERRITORY              | 655              |   | 0,0          |
| <b>Overall total</b>                   | <b>1.851.126</b> |   | <b>100,0</b> |

Information processed based on data supplied by GAO

**Table 2** Regional executives every 100 thousand inhabitants

|                | 2003       | 2004       | 2005       |
|----------------|------------|------------|------------|
| Piedmont       | 6,3        | 5,7        | 5,3        |
| Lombardy       | 3,2        | 3,0        | 3,0        |
| Veneto         | 4,7        | 5,0        | 4,6        |
| Liguria        | 6,1        | 6,0        | 5,7        |
| Emilia Romagna | 6,0        | 5,7        | 5,2        |
| Tuscany        | 5,8        | 5,6        | 5,0        |
| Umbria         | 15,8       | 13,8       | 13,4       |
| Marche         | 6,3        | 6,2        | 5,5        |
| Latium         | 9,0        | 9,3        | 8,4        |
| Abruzzo        | 9,1        | 10,0       | 9,3        |
| Molise         | 26,8       | 27,4       | 28,9       |
| Campania       | 9,2        | 10,3       | 7,6        |
| Apulia         | 7,3        | 5,5        | 2,7        |
| Basilicata     | 15,6       | 13,7       | 15,1       |
| Calabria       | 9,2        | 9,2        | 8,2        |
| <b>North</b>   | <b>4,7</b> | <b>4,5</b> | <b>4,3</b> |
| <b>Centre</b>  | <b>8,1</b> | <b>8,0</b> | <b>7,3</b> |
| <b>South</b>   | <b>9,3</b> | <b>9,2</b> | <b>7,2</b> |
| <b>Total</b>   | <b>5,8</b> | <b>5,6</b> | <b>4,9</b> |

Information processed based on data supplied by the Court of Auditors

**Table 3** *Regional Executives: average yearly remuneration*

|                        | Average values in Euro |        |         | Total index Ordinary Regions=100 |      |      |
|------------------------|------------------------|--------|---------|----------------------------------|------|------|
|                        | 2003                   | 2004   | 2005    | 2003                             | 2004 | 2005 |
| Piedmont               | 84.820                 | 89.862 | 89.887  | 108                              | 108  | 103  |
| Lombardy               | 86.192                 | 92.079 | 110.623 | 110                              | 111  | 126  |
| Veneto                 | 74.880                 | 82.503 | 84.614  | 96                               | 99   | 97   |
| Liguria                | 74.386                 | 77.416 | 78.704  | 95                               | 93   | 90   |
| Emilia Romagna         | 77.951                 | 80.155 | 80.545  | 100                              | 97   | 92   |
| Tuscany                | 77.089                 | 83.333 | 84.577  | 99                               | 100  | 97   |
| Umbria                 | 68.820                 | 75.666 | 80.339  | 88                               | 91   | 92   |
| Marche                 | 79.158                 | 89.400 | 89.825  | 101                              | 108  | 103  |
| Latium                 | 69.859                 | 73.318 | 93.744  | 89                               | 88   | 107  |
| Abruzzo                | 80.023                 | 80.639 | 81.346  | 102                              | 97   | 93   |
| Molise                 | 79.141                 | 93.047 | 91.817  | 101                              | 112  | 105  |
| Campania               | 87.693                 | 85.137 | 81.480  | 112                              | 103  | 93   |
| Apulia                 | 55.656                 | 74.228 | 70.049  | 71                               | 89   | 80   |
| Basilicata             | 87.217                 | 86.778 | 87.029  | 112                              | 105  | 99   |
| Calabria               | 94.432                 | 91.807 | 93.423  | 121                              | 111  | 107  |
| North                  | 80.849                 | 85.690 | 91.102  | 103                              | 103  | 104  |
| Centre                 | 72.290                 | 77.408 | 89.488  | 92                               | 93   | 102  |
| South                  | 80.187                 | 84.669 | 83.257  | 103                              | 102  | 95   |
| Total Ordinary Regions | 78.209                 | 83.012 | 87.587  | 100                              | 100  | 100  |

*Information processed based on data supplied by the Court of Auditors*



**Table 5** Costs borne by Central Apulia administrations: actual for year 2006 and budget for 2007 (in million Euro)

|   | 2006          |               |              | 2007          |
|---|---------------|---------------|--------------|---------------|
|   | Budget        | Actual        | Diff.        | Budget        |
| STAFF COSTS                               | 75.475        | 75.136        | -339         | 74.508        |
| Remuneration                              | 73.846        | 73.150        | -696         | 73.000        |
| Missions                                  | 437           | 770           | 333          | 391           |
| Other staff costs                         | 1.192         | 1.215         | 23           | 1.118         |
| OPERATING COSTS                           | 6.793         | 8.282         | 1.490        | 6.845         |
| Consumer goods                            | 1.022         | 1.276         | 253          | 951           |
| Services and third-party assets           | 5.475         | 6.658         | 1.184        | 5.571         |
| Other operating costs                     | 296           | 348           | 52           | 322           |
| EXTRAORDINARY AND SPECIAL EXPENSES        | 102           | 226           | 124          | 117           |
| Settlement of claims                      | 91            | 218           | 127          | 108           |
| Other extraordinary costs                 | 4             | 3             | -2           | 3             |
| Financial services                        | 6             | 5             | -1           | 5             |
| AMORTISATION/DEPRECIATION                 | 2.270         | 2.210         | -60          | 2.378         |
| <b>Total Central administration costs</b> | <b>84.640</b> | <b>85.854</b> | <b>1.214</b> | <b>83.848</b> |

Information processed based on data supplied by the General Accounting Office

**Table 6** Italy: civil servants on a permanent contract as of 31st December 2006

|   | State<br>Administration (1) | Regions and<br>Health Boards | Local Bodies (2) | Universities   | Total            |
|---|-----------------------------|------------------------------|------------------|----------------|------------------|
| <b>No. civil servants</b>                   |                             |                              |                  |                |                  |
| Piedmont                                    | 121.186                     | 58.789                       | 42.525           | 6.165          | 228.665          |
| Valle d'Aosta                               | 2.026                       | 5.054                        | 1.733            | 635            | 9.448            |
| Lombardy                                    | 235.920                     | 93.265                       | 74.359           | 12.559         | 416.103          |
| Liguria                                     | 56.170                      | 22.519                       | 18.426           | 2.999          | 100.114          |
| Trentino-Alto Adige                         | 11.759                      | 48.131                       | 9.645            | 1.032          | 70.567           |
| Veneto                                      | 129.070                     | 60.363                       | 33.711           | 6.686          | 229.830          |
| Friuli-Venezia Giulia                       | 48.201                      | 20.702                       | 12.509           | 1.895          | 83.307           |
| Emilia Romagna                              | 114.140                     | 57.921                       | 40.147           | 12.077         | 224.285          |
| Tuscany                                     | 113.765                     | 51.683                       | 36.229           | 10.441         | 212.118          |
| Umbria                                      | 27.718                      | 12.077                       | 8.640            | 2.688          | 51.123           |
| Marche                                      | 48.759                      | 19.375                       | 14.095           | 2.231          | 84.460           |
| Latium                                      | 286.893                     | 53.277                       | 46.042           | 18.109         | 404.321          |
| Abruzzi                                     | 45.852                      | 17.218                       | 10.744           | 2.758          | 76.572           |
| Molise                                      | 13.678                      | 4.923                        | 2.996            | 566            | 22.163           |
| Campania                                    | 215.689                     | 61.822                       | 47.753           | 14.246         | 339.510          |
| Basilicata                                  | 23.994                      | 7.897                        | 5.738            | 616            | 38.245           |
| Apulia                                      | 156.913                     | 38.850                       | 22.700           | 6.593          | 225.056          |
| Calabria                                    | 84.376                      | 25.599                       | 17.528           | 2.374          | 129.877          |
| Sicily                                      | 190.809                     | 48.185                       | 52.349           | 11.932         | 303.275          |
| Sardegna                                    | 66.563                      | 24.328                       | 14.370           | 3.897          | 109.158          |
| Abroad                                      | 8.597                       | 39                           |                  |                | 8.636            |
| <i>Total</i>                                | <i>2.002.078</i>            | <i>732.017</i>               | <i>512.239</i>   | <i>120.499</i> | <i>3.366.833</i> |
| <b>Civil servants per 1,000 inhabitants</b> |                             |                              |                  |                |                  |
| Piedmont                                    | 27,9                        | 13,5                         | 9,8              | 1,4            | 52,7             |
| Valle d'Aosta                               | 16,3                        | 40,8                         | 14,0             | 5,1            | 76,2             |
| Lombardy                                    | 24,9                        | 9,8                          | 7,8              | 1,3            | 43,9             |
| Liguria                                     | 34,9                        | 14,0                         | 11,4             | 1,9            | 62,2             |
| Trentino-Alto Adige                         | 11,9                        | 48,9                         | 9,8              | 1,0            | 71,6             |
| Veneto                                      | 27,2                        | 12,7                         | 7,1              | 1,4            | 48,5             |
| Friuli-Venezia Giulia                       | 39,9                        | 17,1                         | 10,4             | 1,6            | 68,9             |
| Emilia Romagna                              | 27,3                        | 13,8                         | 9,6              | 2,9            | 53,6             |
| Tuscany                                     | 31,4                        | 14,3                         | 10,0             | 2,9            | 58,6             |
| Umbria                                      | 31,9                        | 13,9                         | 10,0             | 3,1            | 58,9             |
| Marche                                      | 31,9                        | 12,7                         | 9,2              | 1,5            | 55,2             |
| Latium                                      | 54,1                        | 10,0                         | 8,7              | 3,4            | 76,2             |
| Abruzzi                                     | 35,1                        | 13,2                         | 8,2              | 2,1            | 58,7             |
| Molise                                      | 42,6                        | 15,3                         | 9,3              | 1,8            | 69,1             |
| Campania                                    | 37,2                        | 10,7                         | 8,2              | 2,5            | 58,6             |
| Basilicata                                  | 40,4                        | 13,3                         | 9,7              | 1,0            | 64,4             |
| Apulia                                      | 38,5                        | 9,5                          | 5,6              | 1,6            | 55,3             |
| Calabria                                    | 42,1                        | 12,8                         | 8,7              | 1,2            | 64,8             |
| Sicily                                      | 38,0                        | 9,6                          | 10,4             | 2,4            | 60,4             |
| Sardegna                                    | 40,2                        | 14,7                         | 8,7              | 2,4            | 65,9             |
| <i>Total (not including staff abroad)</i>   | <i>33,9</i>                 | <i>12,5</i>                  | <i>8,7</i>       | <i>2,1</i>     | <i>57,2</i>      |

(1) also includes employees of social security and healthcare bodies

(2) includes Municipalities, Provincial Districts and other local and regional public bodies

Information processed based on data supplied by GAO

**Table 7** Spain: civil servants employed as of 1st January 2007

|   | State<br>Administration | Autonomous<br>Communities | Local Bodies   | Universities  | Total            |
|---|-------------------------|---------------------------|----------------|---------------|------------------|
| <b>No. civil servants</b>                   |                         |                           |                |               |                  |
| Andalucía                                   | 85.617                  | 251.160                   | 123.003        | 18.370        | 478.150          |
| Aragón                                      | 24.303                  | 39.277                    | 17.382         | 4.788         | 85.750           |
| C. F. Navarra                               | 4.570                   | 19.978                    | 3.709          | 1.112         | 29.369           |
| C. Madrid                                   | 162.810                 | 148.789                   | 61.751         | 26.959        | 400.309          |
| C. Valenciana                               | 34.204                  | 124.360                   | 56.413         | 6.073         | 221.050          |
| Canarias                                    | 23.048                  | 56.855                    | 40.172         | 3.412         | 123.487          |
| Cantabria                                   | 6.075                   | 18.652                    | 5.637          | 1.639         | 32.003           |
| Castilla-La Mancha                          | 18.320                  | 66.102                    | 36.847         | 3.115         | 124.384          |
| Castilla y León                             | 39.322                  | 85.853                    | 34.504         | 8.999         | 168.678          |
| Cataluña                                    | 30.783                  | 147.793                   | 92.126         | 6.847         | 277.549          |
| Extremadura                                 | 13.683                  | 45.234                    | 29.891         | 2.697         | 91.505           |
| Galicia                                     | 28.764                  | 82.381                    | 30.179         | 3.810         | 145.134          |
| I.Balears                                   | 10.995                  | 22.469                    | 13.971         | 903           | 48.338           |
| La Rioja                                    | 3.582                   | 9.713                     | 2.553          | 261           | 16.109           |
| P. Asturias                                 | 11.664                  | 33.007                    | 10.790         | 2.793         | 58.254           |
| País Vasco                                  | 14.515                  | 60.245                    | 29.082         | 2.466         | 106.308          |
| R. Murcia                                   | 16.348                  | 45.950                    | 13.664         | 1.860         | 77.822           |
| Ceuta                                       | 7.879                   | 1.545                     | 205            | 57            | 9.686            |
| Melilla                                     | 7.594                   | 1.212                     | 122            | 95            | 9.023            |
| Abroad                                      | 9.130                   |                           |                |               | 9.130            |
| <i>Total</i>                                | <i>553.206</i>          | <i>1.260.575</i>          | <i>602.001</i> | <i>96.256</i> | <i>2.512.038</i> |
| <b>Civil servants per 1,000 inhabitants</b> |                         |                           |                |               |                  |
| Andalucía                                   | 11,0                    | 32,2                      | 15,8           | 2,4           | 61,3             |
| Aragón                                      | 19,3                    | 31,2                      | 13,8           | 3,8           | 68,1             |
| C. F. Navarra                               | 7,8                     | 34,0                      | 6,3            | 1,9           | 49,9             |
| C. Madrid                                   | 27,4                    | 25,1                      | 10,4           | 4,5           | 67,4             |
| C. Valenciana                               | 7,4                     | 26,8                      | 12,2           | 1,3           | 47,6             |
| Canarias                                    | 11,8                    | 29,1                      | 20,6           | 1,7           | 63,2             |
| Cantabria                                   | 10,9                    | 33,5                      | 10,1           | 2,9           | 57,4             |
| Castilla-La Mancha                          | 9,7                     | 34,9                      | 19,5           | 1,6           | 65,7             |
| Castilla y León                             | 15,9                    | 34,7                      | 13,9           | 3,6           | 68,1             |
| Cataluña                                    | 4,4                     | 21,3                      | 13,3           | 1,0           | 40,0             |
| Extremadura                                 | 12,8                    | 42,2                      | 27,9           | 2,5           | 85,4             |
| Galicia                                     | 10,6                    | 30,3                      | 11,1           | 1,4           | 53,4             |
| I.Balears                                   | 11,2                    | 22,8                      | 14,2           | 0,9           | 49,0             |
| La Rioja                                    | 11,9                    | 32,3                      | 8,5            | 0,9           | 53,6             |
| P. Asturias                                 | 11,0                    | 31,2                      | 10,2           | 2,6           | 55,0             |
| País Vasco                                  | 6,9                     | 28,5                      | 13,8           | 1,2           | 50,3             |
| R. Murcia                                   | 12,2                    | 34,4                      | 10,2           | 1,4           | 58,3             |
| Ceuta                                       | 110,3                   | 21,6                      | 2,9            | 0,8           | 135,6            |
| Melilla                                     | 114,3                   | 18,2                      | 1,8            | 1,4           | 135,9            |
| <i>Total (not including staff abroad)</i>   | <i>12,6</i>             | <i>28,8</i>               | <i>13,8</i>    | <i>2,2</i>    | <i>57,4</i>      |

Information processed based on data supplied by Registro Central de Personal

**Table 8** Germany: civil servants as of 30th June 200606

|   | Federation<br>(Central State) | Länder           | Local Bodies     | Other (1)      | Total            |
|---|-------------------------------|------------------|------------------|----------------|------------------|
| <b>No. civil servants</b>                   |                               |                  |                  |                |                  |
| Baden-Württemberg                           | 32.700                        | 255.800          | 204.000          | 96.200         | 588.700          |
| Bayern                                      | 69.500                        | 302.000          | 193.200          | 116.200        | 680.900          |
| Berlin                                      | 30.400                        | 135.400          |                  |                | 259.700          |
| Brandenburg                                 | 16.900                        | 64.500           | 41.700           | 16.100         | 139.200          |
| Bremen                                      | 3.000                         | 28.000           |                  |                | 39.800           |
| Hamburg                                     | 11.100                        | 66.300           |                  |                | 107.200          |
| Hessen                                      | 26.600                        | 128.900          | 110.600          | 64.300         | 330.400          |
| Mecklenburg-Vorpommern                      | 18.600                        | 43.700           | 26.900           | 17.200         | 106.300          |
| Niedersachsen                               | 62.100                        | 194.300          | 114.900          | 60.300         | 431.600          |
| Nordrhein-Westfalen                         | 84.500                        | 398.800          | 289.100          | 140.600        | 913.000          |
| Rheinland-Pfalz                             | 32.800                        | 97.800           | 60.500           | 36.200         | 227.300          |
| Saarland                                    | 4.300                         | 29.400           | 13.300           | 8.100          | 55.100           |
| Sachsen                                     | 15.800                        | 110.600          | 72.500           | 36.100         | 235.000          |
| Sachsen-Anhalt                              | 9.600                         | 65.700           | 51.300           | 19.200         | 145.800          |
| Schleswig-Holstein                          | 37.700                        | 60.300           | 38.900           | 29.900         | 166.800          |
| Thüringen                                   | 8.200                         | 67.200           | 34.200           | 14.400         | 124.000          |
| Estero                                      | 13.100                        |                  |                  | 200            | 13.300           |
| <i>Total</i>                                | <i>476.900</i>                | <i>2.048.700</i> | <i>1.251.100</i> | <i>655.000</i> | <i>4.564.100</i> |
| <b>Civil servants per 1,000 inhabitants</b> |                               |                  |                  |                |                  |
| Baden-Württemberg                           | 3,0                           | 23,8             | 19,0             | 9,0            | 54,8             |
| Bayern                                      | 5,6                           | 24,2             | 15,5             | 9,3            | 54,6             |
| Berlin                                      | 9,0                           | 39,9             |                  |                | 76,5             |
| Brandenburg                                 | 6,6                           | 25,2             | 16,3             | 6,3            | 54,4             |
| Bremen                                      | 4,5                           | 42,2             |                  |                | 60,0             |
| Hamburg                                     | 6,4                           | 38,0             |                  |                | 61,5             |
| Hessen                                      | 4,4                           | 21,2             | 18,2             | 10,6           | 54,2             |
| Mecklenburg-Vorpommern                      | 10,9                          | 25,6             | 15,8             | 10,1           | 62,3             |
| Niedersachsen                               | 7,8                           | 24,3             | 14,4             | 7,5            | 54,0             |
| Nordrhein-Westfalen                         | 4,7                           | 22,1             | 16,0             | 7,8            | 50,6             |
| Rheinland-Pfalz                             | 8,1                           | 24,1             | 14,9             | 8,9            | 56,0             |
| Saarland                                    | 4,1                           | 28,0             | 12,7             | 7,7            | 52,5             |
| Sachsen                                     | 3,7                           | 25,9             | 17,0             | 8,4            | 55,0             |
| Sachsen-Anhalt                              | 3,9                           | 26,6             | 20,8             | 7,8            | 59,0             |
| Schleswig-Holstein                          | 13,3                          | 21,3             | 13,7             | 10,6           | 58,9             |
| Thüringen                                   | 3,5                           | 28,8             | 14,6             | 6,2            | 53,1             |
| <i>Total (not including staff abroad)</i>   | <i>5,6</i>                    | <i>24,9</i>      | <i>15,2</i>      | <i>7,9</i>     | <i>55,2</i>      |

1) Includes Associations, the Federal Railway Assets and indirect public services

**Table 9** Public spending broken down by area in Germany, Spain and Italy.  
Average 2002 -2005

|   | in %<br>of GDP | composizione %                                   |      |      |                   |           |                                   |                              |                               |
|---|----------------|--|------|------|-------------------|-----------|-----------------------------------|------------------------------|-------------------------------|
|   |                | distribution of "fixed"<br>expenses Intermediate |      |      | Employed<br>staff | Interests | Expenditure<br>for<br>investments | Other<br>current<br>expenses | Capital<br>Account<br>Expendi |
| <b>GERMANY</b>                                  |                |  |      |      |                   |           |                                   |                              |                               |
| General public services                         | 6,2            | 13,0   | 83,5 | 16,6 | 20,3              | 46,6      | 16,5                              | 14,2                         | 2,3                           |
| Defense   | 1,2            | 2,4  | 95,6 | 41,5 | 54,0              | 0,0       | 4,4                               | 0,6                          | 3,8                           |
| Law and order and security                      | 1,7            | 3,5  | 93,4 | 21,8 | 71,6              | 0,0       | 6,6                               | 0,3                          | 6,2                           |
| Economic affairs                                | 3,8            | 7,9  | 22,8 | 12,8 | 10,1              | 0,0       | 77,2                              | 42,8                         | 34,3                          |
| Economic affairs                                | 0,5            | 1,1  | 69,8 | 52,8 | 17,0              | 0,0       | 30,2                              | 6,1                          | 24,1                          |
| Housing and territorial planning                | 1,1            | 2,2  | 31,9 | 12,1 | 19,8              | 0,0       | 68,1                              | 11,3                         | 56,8                          |
| Health  | 6,3            | 13,2   | 1,5  | 0,6  | 0,9               | 0,0       | 98,5                              | 96,5                         | 2,0                           |
| Recreational, cultural and religious activities | 0,7            | 1,4  | 57,3 | 28,3 | 29,1              | 0,0       | 42,7                              | 23,6                         | 19,0                          |
| Education                                       | 4,3            | 9,0  | 79,5 | 17,4 | 62,1              | 0,0       | 20,5                              | 12,2                         | 8,3                           |
| Social security                                 | 22,1           | 46,4   | 7,1  | 2,2  | 4,9               | 0,0       | 92,9                              | 92,4                         | 0,5                           |
| <i>Total</i>                                    | 47,7           | 100,0  | 31,0 | 8,8  | 16,2              | 6,0       | 69,0                              | 62,6                         | 6,4                           |
| <b>SPAIN</b>                                    |                |  |      |      |                   |           |                                   |                              |                               |
| General public services                         | 5,0            | 12,8   | 75,4 | 12,8 | 19,6              | 43,0      | 24,6                              | 18,0                         | 6,6                           |
| Defense   | 1,1            | 2,8  | 94,4 | 37,8 | 56,5              | 0,0       | 5,6                               | 0,6                          | 5,0                           |
| Law and order and security                      | 1,8            | 4,8  | 92,1 | 15,8 | 76,3              | 0,0       | 7,9                               | 1,0                          | 6,9                           |
| Economic affairs                                | 4,6            | 12,0   | 22,9 | 9,8  | 12,5              | 0,7       | 77,1                              | 22,0                         | 55,1                          |
| Economic affairs                                | 0,9            | 2,3  | 68,6 | 56,7 | 11,8              | 0,1       | 31,4                              | 2,8                          | 28,6                          |
| Housing and territorial planning                | 1,0            | 2,5  | 42,5 | 22,8 | 18,6              | 1,1       | 57,5                              | 3,3                          | 54,2                          |
| Health  | 5,4            | 14,1   | 61,8 | 19,4 | 42,4              | 0,0       | 38,2                              | 34,3                         | 3,9                           |
| Recreational, cultural and religious activities | 1,4            | 3,7  | 61,8 | 34,0 | 25,2              | 2,5       | 38,2                              | 13,4                         | 24,8                          |
| Education                                       | 4,4            | 11,4   | 76,2 | 8,2  | 67,8              | 0,3       | 23,8                              | 16,2                         | 7,6                           |
| Social security                                 | 12,9           | 33,6   | 6,5  | 2,3  | 4,3               | 0,0       | 93,5                              | 92,4                         | 1,1                           |
| <i>Total</i>                                    | 38,4           | 100,0  | 44,0 | 12,2 | 26,1              | 5,7       | 56,0                              | 43,4                         | 12,6                          |
| <b>ITALY</b>                                    |                |  |      |      |                   |           |                                   |                              |                               |
| General public services                         | 9,0            | 18,9   | 83,9 | 13,0 | 16,4              | 54,5      | 16,1                              | 9,9                          | 6,2                           |
| Defense   | 1,4            | 3,0  | 87,7 | 28,5 | 59,3              | 0,0       | 12,3                              | 4,4                          | 7,9                           |
| Law and order and security                      | 2,0            | 4,1  | 89,4 | 15,7 | 73,7              | 0,0       | 10,6                              | 5,6                          | 5,0                           |
| Economic affairs                                | 4,0            | 8,3  | 20,5 | 10,2 | 9,0               | 1,2       | 79,5                              | 26,6                         | 52,9                          |
| Economic affairs                                | 0,8            | 1,7  | 73,7 | 59,5 | 13,5              | 0,7       | 26,3                              | 2,8                          | 23,5                          |
| Housing and territorial planning                | 0,6            | 1,3  | 55,1 | 27,9 | 25,5              | 1,7       | 44,9                              | 6,9                          | 38,0                          |
| Health  | 6,6            | 13,7   | 56,1 | 20,3 | 35,3              | 0,5       | 43,9                              | 41,2                         | 2,7                           |
| Recreational, cultural and religious activities | 0,8            | 1,8  | 53,4 | 32,2 | 20,1              | 1,1       | 46,6                              | 19,7                         | 27,0                          |
| Education                                       | 4,7            | 9,9  | 85,8 | 10,5 | 75,1              | 0,2       | 14,2                              | 9,7                          | 4,5                           |
| Social security                                 | 18,0           | 37,5   | 3,9  | 1,6  | 2,1               | 0,2       | 96,1                              | 95,8                         | 0,3                           |
| <i>Total</i>                                    | 47,9           | 100,0  | 44,3 | 11,1 | 22,5              | 10,6      | 55,7                              | 47,4                         | 8,3                           |

Information processed based on data supplied by Registro Central de Personal



## Glossary

**Central Administrations:** area of the Public Administration that includes the State, the Bank for Deposits and Loans and other Bodies associated to the central government. They are collectively referred to as the Central State..

**Local Administrations:** area of the Public Administration that includes Provincial Districts, Municipalities, Mountain Communities, Chambers of Commerce, Universities, Bodies for the Right to Tertiary Education.

**Social security bodies:** public bodies whose main activity is the delivery of social security services; they include INPS, INAIL and INPDAP.

**Local authorities:** they include both Local and Regional Administrations

**Public Administrations:** this area brings together the institutions whose main functions are the delivery of non-sellable services and the redistribution of the Country's income and wealth. Its main resources include the mandatory payments made either directly or indirectly by units pertaining to other sectors (source: Italian Statistical Office - Istat). They include the Central, Regional and Local administrations.

**Regional Administrations:** area of the Public Administration that includes the Regions (Ordinary and Special Statute Regions), Local Health Boards, State Hospitals.

**Local Health Boards:** territorial unit in charge of providing healthcare services to the citizens. Each Health board covers part of the national territory; this very often coincides with the Provincial District (source: Italian statistical office - ISTAT).

**Overall surplus and deficit:** this is the discrepancy between overall revenues and overall spending. This term is used in reference to the implementation or the management of the balance (assets and liabilities accrued and cash balance) and measures the excess (surplus) or shortage (deficit) of resources that can be acquired or were acquired compared to the actual or possible use (source: Italian statistical office - Istat).

**Variation coefficient:** the variation coefficient is a dispersion index that enables the comparison of events measured with different units of measure as it is a pure number (i.e. does not refer to any unit of measure).

**Intermediate goods:** see spending for final consumption.

**Court of Auditors:** has contentious jurisdiction over the accounts of treasurers, receivers, cashiers and agents in charge of collecting, paying, conserving and han-

ding public moneys or to hold in custody State valuables and assets. It also has auditing functions as envisaged by the general accounting regulations on State Spending.

**Deficit:** the amount of public spending not covered by revenues (State deficit), i.e. an economic situation in which for a certain period of time the State's spending exceeds revenues.

**Public sector borrowing requirement:** refers to the resources need to financially hedge the balance; the cash requirement is the negative difference between the revenues and the spending net of all interests payable (primary requirement).

**Länder:** (or, unofficially, Bundesland) are the Federal States of Germany. Each of the 16 Länder is represented at Federal level in the Bundesrat, the Federal Council.

**Gini Index:** the Gini index is a summary measurement of the level of disparity, mainly used to assess the distribution of income: it is zero if there is a perfect balance in the distribution of income (when all families receive the same income) and grows as disparity increases. This indicator can also be "standardised" so that the utmost disparity coincides with a value of 1 and the utmost balance with 0.

**Purchasing Power Parity:** it provides a more refined tool than the simple reference to the exchange value to compare the economic trends of the two countries. It is based on the cost of a specific basket of products that represent the normal consumption made by a citizen and which can be purchased in the Countries considered; the achieved value sets a fictitious exchange rate between two currencies (but it can even be the same currency) but more realistic because based on the cost of living. The purchasing power parity ensures the same power to purchase goods in the currency used in the two Countries considered.

**Equalisation:** redistribution of resources between a Country's wealthier and poorer areas by virtue of the principle of economic solidarity among its territories.

**Fiscal burden:** it is given by the ratio of direct, indirect and capital taxes and social contributions as a percentage of the GDP. If necessary, it can be shown as a ratio of the number of inhabitants.

**Tax burden:** the ratio between direct, indirect and capital taxes as a percentage of the GDP. If necessary, it can be shown as a ratio of the number of inhabitants.

**General Accounting Office:** it is in charge of preparing the National Budget and the final statement of accounts, keeps the accounts, monitors public spending - mainly focusing on accounting bodies - and checks the revenues. Further tasks include checking the financial and accounting activities of Public Bodies and Local authorities (by verifying the resolutions passed by the latter, through inspections or through its own inspectors). The General Accounting Office also monitors all spending associated to the civil service, prepares estimates, forecasts and projections associated to draft government laws.

**Public spending:** the public spending item includes public purchases and transfers to Local Administrations, businesses and individuals (in the form of pensions and other benefits, such as unemployment benefit). It includes current public spending, namely allocated to the production and redistribution of revenues for purposes not directly associated to direct production, the consequences of which become visible during the year, and capital account public spending that directly or indirectly affects public capital formation to be used for investments.

**Spending for final consumption:** this refers to public sector spending to satisfy individual and collective needs. They include spending for goods and services that can be provided directly by the Public Administrations or supplied through the market. The items of this entry include costs for staff, the purchase of goods and services from the market and intermediate goods.

**Running expenses:** these include the spending for staff in addition to the so-called “general services” function (that includes all costs associated to administrative management). These resources are necessary to keep the administrative machinery going.

**Subsidiarity:** the principle of subsidiarity (Art. 118 of the Constitution) assigns administrative functions to Municipalities, and then bottom-up throughout all the levels of government relating to larger territorial administrations (Provincial Districts, Regions, State) for all the issues that the Municipalities would be unable to perform effectively and efficiently alone.

**Title V:** part of the Italian Constitution that governs the relationships and allocates competencies between State, Regions and Local Bodies. It was amended in 2001 through a specific Constitutional Law (no. 3/2001) following a referendum.

**Labour units:** this enables us to homogeneously quantify the amount of work performed by those who participate in the production process carried out in a Country’s economy regardless of their place of residence (internally employed). Labour units represent the amount of work provided in the year by a full-time employee: it is used as a unit to measure the labour employed to produce goods and services included in the estimate of the Gross Domestic Product in a specific timeframe.

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- Ministry of Economy and Finance – Technical Committee on Public Finance:** *Libro Verde Sulla Spesa Pubblica (Rome, 6 September 2007)*
- Oecd:** *Fiscal Equalisation in Oecd Countries (11 September 2007)*
- General Accounting Office:** *State Budget (Various years)*
- General Accounting Office:** *Yearly Accounts (Various years)*
- General Accounting Office:** *Identification of Public Costs (Various years)*
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