

AperTO - Archivio Istituzionale Open Access dell'Università di Torino

## Austerity and Public Administration: Italy Between Modernization and Spending Cuts

### This is the author's manuscript

*Original Citation:*

*Availability:*

This version is available <http://hdl.handle.net/2318/1622361> since 2017-04-11T23:03:34Z

*Published version:*

DOI:10.1177/0002764214534667

*Terms of use:*

Open Access

Anyone can freely access the full text of works made available as "Open Access". Works made available under a Creative Commons license can be used according to the terms and conditions of said license. Use of all other works requires consent of the right holder (author or publisher) if not exempted from copyright protection by the applicable law.

(Article begins on next page)

This is the author's final version of the contribution published as:

Di Mascio, Fabrizio; Natalini, Alessandro. Austerity and Public Administration: Italy Between Modernization and Spending Cuts. *AMERICAN BEHAVIORAL SCIENTIST*. 58 (12) pp: 1634-1656.  
DOI: 10.1177/0002764214534667

The publisher's version is available at:

<http://journals.sagepub.com/doi/10.1177/0002764214534667>

When citing, please refer to the published version.

Link to this full text:

<http://hdl.handle.net/2318/1622361>

## **Austerity and Public Administration: Italy between modernization and spending cuts**

**Summary.** This paper analyzes the Italian government's response to the sovereign debt crisis. Given the severity of the fiscal crisis affecting Italy, this paper provides insights about the crisis' implication for public administration in such a politically sensitive environment where drastic and far-reaching measures had to be taken by the government. Drawing on the historical institutionalist approach, the impact of the crisis is not considered in isolation but in the context of the historical trajectory which has shaped the government's capacity to respond. To assess the crisis' implications for public administration, the empirical analysis focuses on public employment as an area that is especially exposed to fiscal restraint. The findings reveal that the current crisis has been managed with straight cutback management since public administration has been considered by policy makers just as a source of public expenditure to be squeezed rather than as a provider of public services in need of modernization so as to sustain economic growth.

### **Introduction**

The global crisis that started in 2007-2008 had significant implications for the fiscal position of OECD nations (Posner and Blondal 2012). As the global crisis mutated from a problem affecting the private economy to a sovereign debt problem, public spending cutbacks came to figure centrally in measures to tackle fiscal imbalances (Kickert 2012; Pandey 2010). The global crisis put under severe strain public finances in South European countries as the bond markets forced precipitous changes that leaders had been reluctant to seek on their own. Yet, the sovereign debt crisis has not constituted an unprecedented fiscal challenge for most of South European countries, as large fiscal adjustments had occurred since early 1990s, especially in the run-up to the European Monetary Union (Blavoukos and Pagoulatos 2008). This holds true particularly for Italy where the currency crisis that forced the Italian lira out of the European Monetary System in 1992 triggered a major fiscal consolidation episode. Focusing on public employment reform in Italy, the empirical analysis tracks three different but intertwined reform sequences set in motion by the 1992 crisis which resulted in the response to the current sovereign debt crisis. Using a process sequencing approach, the impact of the current crisis is not considered in isolation, but in the context of the legacies of the responses to the previous 1992 crisis. Two pre-existing policy repertoires, one emphasizing structural administrative modernization based on the principles of New Public Management (NPM) and one straight cutback, were developed from the response to the

1992, concerning in particular three dimensions of public employment such as size, wages, and politico-administrative relationship.

Research findings shed light on the failures and unintended consequences of the NPM reforms introduced after 1992 which weakened their advocates in 2008. Conversely, findings highlight how limitations emanating from the exceptional turbulence of the Italian political system have interacted with policy legacies eventually further reinforcing existing arrangements for cutback management which proved to be effective to balance the government's book in the short term.

The article proceeds as follows. In the next two sections we first discuss the theoretical approach that our research takes for the study of how the crisis' "containment vs reform" is addressed in public management and then we present the background of this study, that is the intense dynamism of the Italian case over the last two decades which makes it as particularly suited for using a process sequencing approach. In the empirical section we first present three narratives of how the repertoire of measures introduced after 1992 has shaped the response to the current crisis in the area of public employment and then we show the extent to which pressure for austerity have affected public employment in Italy. We conclude with a discussion of the main findings and formulate some elements for a future research agenda.

### **Crisis Management between Containment and Reform**

Drawing on crisis management literature, we define crises as "events or developments widely perceived by members of relevant communities to constitute urgent threats to core community values and structures" (Boin et al. 2009, pp. 83-84). Confronted with the sense of threat and uncertainty that typically marks crises, actors may adopt fundamentally different postures (Hermann and Dayton 2009), and this implies that crises are occasions for framing contests between actors advocating or opposing policy change (Boin et al. 2009).

It is a widely held notion that crises generate a window of opportunity for reforming long-standing policies protected by dominant coalitions and sustained by organizational inertia (Keeler 1993). However, research on crisis management revealed that the opportunities for reform in the wake of crisis are smaller than often thought as the imperatives of short-term crisis containment conflict with the ability to effectively implement long-term reforms (Boin and 't Hart 2003). Attractive though it may be in theory, seizing the opportunities to play up

crises for the sake of gaining momentum for long-awaited reforms entails a number of functional requirements as leaders need to embrace novel policy ideas, selling them to diverse audiences, and wielding power to see them implemented. Consequently, risk-averse leaders generally prefer short-term responses that preserve the status quo rather than ambitious reforms threatening existing policies. Thus, for most of leaders crisis is not a time for exploring new options that only pay off in the long run.

The crisis “containment vs reform” dilemma has also been addressed by the current stream of public administration literature on managing austerity in the post-2008 fiscal environment (Peters et al 2011). Most of the empirical studies on cutback management have been written in the 1980s focusing on the general cutback strategies triggered by fiscal crises in the US and the UK since the 1970s (Dunsire and Hood 1989; Hood and Wright 1981; Levine 1978). The contemporary cutback management literature is diverse as it addresses Western European countries (Kickert 2012) or new Eu member countries (Raudla 2013; Raudla and Kattel 2011). It also paves the way for more elaborate theorizing as it is concerned with the relationship between cuts and reforms since there is a potential tension between the need to cut spending in the short term and the goal to affect major administrative modernization in the long term (Pollitt 2010). This tension is even more pronounced when administrative reforms are inspired by principles that emphasize the responsibility of individual administrative units, as the New Public Management doctrine does, as this might run counter to the short-term need to centralize spending control (Peters 2011).

This article aims to contribute to the contemporary cutback management literature by elaborating two research questions. The first regards the assessment of the nature of the spending cuts (*RQ1: What are the fiscal retrenchment measures taken by governments?*) and it draws on the basic distinction between across-the-board cuts and selective measures. The across-the-board approach refers to cuts affecting all the policy areas in equal amounts independently from their differentiated impact on strategic priorities. These measures have also been called “cheese-slicing” (Pollitt 2010), “decrementalism” (Levine 1985), and “equal misery” approach (Hood and Wright 1981). Whereas across-the-board cuts do not alter the fundamentals of the administrative system as they aim at “maintaining” public sector by tightening spending controls (Pollitt and Bouckaert 2011), selective measures enable governments to protect most effective programmes from short-term spending control

(‘strategic prioritization’) and/or connect cutback management to broader administrative modernization initiatives aimed at increasing public sector productivity (*‘efficiency savings’*). Therefore they are more risky than across-the-board measures as they imply the politically fraught issue of setting priorities for the government and the need to rely on sufficient investments to buy the consent of opponents in the short-term while waiting for active and explicit comprehensive administrative change in the long-term (Pollitt 2010). Conversely, across-the-board cuts rely on automatic, unobtrusive “low profile” mechanisms which do not target the structures and rules of public bureaucracies but induce incremental changes at the margin of the system (Bezes 2007).

As for the second research question, it concerns the influence of policy legacies on the response to the crisis (*RQ2: How has the historical trajectory of administrative reforms affected fiscal retrenchment measures?*). As pointed out by Pollitt (2010), the nature of the spending cuts and the impact on public services depend on the reform capacity of each country. In so doing, our research takes stock of substantive causal argument in the existing public management literature which employs the historical institutionalist framework to explain how sequences matter in explaining stability and change in relation to some phenomena over time (Mahoney 2000; Pierson 2004). This implies conceptualizing crisis as immersed in temporal sequences which shape both the systems’ exposure to financial pressures and the governments’ capacity to respond (Pollitt 2008). Successive crises, then, can be studied as process sequencing (Howlett 2009), namely by following how responses to earlier crises produce policy feedback by giving actors experiences of success and failures (Brandstrom et al. 2004). Process sequencing shares with the approach emphasizing path dependence (Pierson 2004) the analytical focus on the temporal ordering of events when explaining reform outcomes. However, it leaves more room for policy evolution within the path than the notion of self-reinforcing sequencing typical of path dependence because it also allows reactive sequencing marked by a chain of tightly linked reaction and counter-reactions that transform and even reverse early events (Mahoney 2000). Further, process sequencing analyzes reform processes as internally articulated into different but interacting policies whose temporal intersection can have a major impact on subsequent events (Bezes and Parrado 2013; Mahoney 2000).

As shown by the next section, the development of public sector employment set in motion by the 1992 crisis makes Italy an interesting case for exploring how the historical trajectory of reforms shaped the response to the current crisis.

### The Italian Case

We apply process sequencing to the development of Italian public administration as the response to the current sovereign debt crisis can be seen as a part of a reform sequence set in motion by the previous 1992 crisis, when Italy's currency was expelled from the European Monetary System (EMS). Until 1992 Italian administration displayed the features typical of the Southern European bureaucratic model: absence of an administrative elite, clientelistic patterns of personnel recruitment, formalism and legalism complemented by informal shadow governance structures, uneven distribution of resources, organizational fragmentation, and insufficient mechanisms for policy co-ordination and for building policy coherence at the centre of government (Sotiropoulos 2004).

From 1992 onwards, a repertoire of across-the-board cuts has been progressively entrenched as it proved to be effective in containing government spending. However, even if Italy had a positive primary balance in every year between 2000 and 2008, it has had the second lowest average growth rate in the EU, so that it has been very difficult to reduce its high debt/GDP ratio. The positive primary balance and the stability of the Italian banking sector constituted barriers against the spread of the global crisis until 2009 when the economic recession accelerated the increase of deficit levels as shown in Table 1. Since then, the Italian debt has been under rising market pressures as highlighted by the Italian government bond yield-spread over the German bunds which climbed from below 200 basis points in June to over 500 in November 2011 and again in July 2012 before falling to below 300 basis points since January 2013.

**Table 1. Deficit and debt of Italy in comparative perspective (percentage of GDP at current market prices)**

	2005		2008		2009		2010		2011		2012	
	Deficit	Debt	Deficit	Debt	Deficit	Debt	Deficit	Debt	Deficit	Debt	Deficit	Debt
Italy	4.5	105.7	2.7	106.1	5.5	116.4	4.5	119.2	3.9	120.7	3.0	127.0
Euro27	2.4	62.9	2.4	62.2	6.9	74.6	6.5	80.2	4.4	82.5	4.0	85.3

Source: Eurostat (2013)

The previous 1992 crisis also triggered a repertoire of selective measures inspired by the global doctrine of New Public Management which aimed at modernizing the administrative system after the inertia of previous decades when no reform attempts had been pursued (Capano 2003). Yet, the successive waves of administrative reforms launched since 1992 have failed to modernize the bureaucratic apparatus, thus hindering the recovery of the country's economic competitiveness.

Italy is therefore an intriguing case for studying the impact of the current crisis in the context of an historical trajectory set in motion by the response to a previous crisis as it has faced the reiterated problem of modernizing administration as well as containing government spending since 1992. In searching for an historical institutionalist explanation, the response to the global crisis has to be interpreted by taking into account not only the institutional legacy but also the "context in motion" of administrative reforms (Barzelay and Fuechtner 2003; Ongaro 2011), that is the contemporaneous transformation of the political system.

In this respect, in Italy economic crises and administrative reforms have occurred in the context of a radical and endless transformation of the political system prompted by the displacement of much of the political class in the early 1990s when the management of the 1992 crisis was entrusted to a technical government. Even though a new party system has emerged since 1994, it operated as a form of fragmented bipolarism in which heterogeneous coalitions of unstable parties alternated in government by parceling up the state and its resources amongst political elites by means of patronage. Because of the enduring fragmentation of the party system, party governments proved unable to devise any reform to prevent and counteract the effects of the global economic downturn as revealed by the collapse of the Berlusconi government which paved the way to for a new technical government led by Monti and supported by a large bipartisan coalition in late 2011. However, the advent of the Monti government has not meant any major reversal in the path of faltering legitimacy of a political class incapable of consolidating a stable party system as revealed by the general elections held in February 2013 when the success of the new anti-establishment Five Star Movement showcased widespread public discontent with all the major Italian political parties and led to a hung Parliament. After two months of political stalemate, eventually Letta formed an unusual left-right coalition government.



Since we apply process sequencing, the assessment of the crisis' impact is focused on public employment as an area that is not only exposed to fiscal restraint but also articulated in different policies (Lodge and Hood 2012). Thus, it is particularly suited for investigating reform intersection as suggested by the process sequencing approach. Therefore, we analyze to which extent the global economic crisis has affected interventions concerning three different dimensions of public employment in Italy: the size of the public employment (by collective dismissals, by changing retirement age or by freezing or reducing recruitment); the salaries of public employees (by freezing or reducing salary levels or by linking rewards to performance); the politicization of the higher civil service and the revision of the role played by the ministerial policy advice (by widening or reducing the scope of political appointment to top levels).

Summing up, we apply process sequencing to the management of the 2008 crisis in Italy to assess how the increasing pressures for fiscal consolidation interacted with the legacies of the responses to the previous 1992 crisis in a context marked by enduring political turmoil. The peculiar nature of the 2008 crisis makes Italy an interesting case for testing two alternative hypothetical scenarios. In the first scenario, that of "crisis containment", policy legacies of the previous 1992 crisis could have inhibited reform by constraining the capacity of governments within a context marked by enduring political fragmentation, as suggested by public management literature drawing on the historical institutional approach (Pollitt 2010). As highlighted by previous research, in this case strongly embedded institutional structures coupled with weak political leadership tend to inhibit innovative responses by shaping policy feedbacks coherent with existing policy arrangements (Patashnik 2009). Conversely, in the second scenario, that of "crisis reform", surging market pressures on the Italian debt could have increased the effectiveness of long-awaited reforms to ensure the long-term viability of a balanced budget coupled with good public services.

In order to test the two alternative hypothetical scenarios (containment vs reform) in the subsequent empirical section of this article, in the period April 2012-September 2013 we conducted a survey of experts knowledgeable about the responses to the current crisis in the domain of public employment in Italy. Challenges for the validity of research posed by the use of soft data have been addressed in several ways. First, the experts hail from a variety of backgrounds: from politicians, high-ranking officials placed in all the institutions that have the responsibility of planning, implementing and monitoring fiscal consolidation

measures as well as administrative reforms in Italy (Ministry of Finance, Ministry of Public Administration, ARAN, Court of Accounts), to trade unions' officials. Second, the information gathered through face-to-face interviews was validated by reading alternative primary and secondary sources. Finally, the interviews had both open- and closed-ended questions so as to add thicker insights on the process of crisis management to the categorical assessment of spending measures enacted in reaction to the crisis<sup>1</sup>.

## **EMPIRICAL ANALYSIS**

### *1. Policy advice and the role of public managers*

Until the early 1990s the Italian administrative elite constituted an elderly 'ossified world' displaying extremely rare horizontal and vertical mobility, and dominated by the legalistic outlook of personnel coming almost exclusively from the underdeveloped South (Cassese 1999). This low level of professionalism allowed the higher civil service to form a pact with politicians of reciprocal self-restraint: public managers renounced an autonomous proactive role in processes of policy making, while politicians refrained from interfering in the management of career advancements based on age and length of service. The salary system was strictly regulated by law with rather limited wage differentials among levels. However, top public managers used to gain additional payments by performing tasks and assignment outside the ministerial settings (e.g. appointments in public entities and state-owned companies).

The poor integration between political and administrative elites forced ministers to surround themselves with 'cabinets' as the primary advisory bodies that acted as shadow administrations composed of hundreds of personnel units, depriving senior executive of their autonomy. Given the legalism of the administrative system, professional *corps* (e.g. Council of State, Court of Accounts, State Attorney) whose staff are all trained in law constituted the privileged recruitment pool, yielding heads of cabinets who provided ministers with advice about the legal aspects of the policy-making process (Agosta and Piccardi 1988). The critical role in providing policy advice by professional *corps*' members resulted from career patterns which enabled them to accumulate experience of public

---

<sup>1</sup> Both the questionnaire and the list of interviewees are available from the authors.

administration by holding at the same time positions between the professional corps, the ministerial bureaucracy and the wider public sector.

In response to the 1992 crisis, several innovations took effect as the reform of the higher civil service was meant to be “the point of departure for administrative modernization” (Interview, Rome, Ministry of Public Administration senior official, 11 February 2013) since reformers conceived it as the trigger for further reform in the other domains of civil service. First, as a reaction to the lack of bureaucratic discretion the areas of responsibility delegated to public managers were widened. Second, specialized advisory bodies (*Servizi di Controllo Interno-SCI*) were established within each ministerial cabinet with the task of assessing performance in order to free senior executives from political influence in the management of resources while serving to ensure a new era of results-based accountability. The introduction of a performance assessment system was meant to constitute not only a modern political control tool but also “the prerequisite to the privatization of public employment regime” (Interview, Rome, ARAN senior official, 2 May 2012). However, the new bodies did not produce the directives, targets and indicators that should have oriented the performance evaluation of public managers as politicians displayed a keen reluctance to cease meddling with administrative management.

As a reaction to the implementation gap of reforms launched in response to the 1992 crisis, in 1998 the Prodi government definitely removed any prerogative of the ministers to override the acts of higher civil servants. Moreover, collective bargaining, which had been already introduced for 2<sup>nd</sup> grade executives in 1993, was extended to 1<sup>st</sup> grade executives by introducing fixed-term contracts for all senior executives who lost tenured positions. The latter provision was aimed at enforcing an accountability mechanism as the confirmation and the promotion of the incumbents became subject to the performance evaluation of the manager during their stint measured by a new performance assessment system which was introduced in 1999. However, neither strict procedural curbs nor transparency requirements were put on the ministerial discretion in distributing appointments thus leaving politicians free to exploit the temporary nature of positions so as to maintain political control over administrative elites. Hence, “the precariousness of executives’ new status interacted with the pressure exerted by the advent of bipolar alternation in government so as to reproduce patterns of senior executives’ politicization” (Interview, Rome, Court of Accounts official, 14 September 2012). Other changes were introduced under the second Berlusconi government

which reinforced patterns of politicization by enlarging the scope of appointments to further levels and abolishing the minimum length of the appointment of public managers.

It is therefore not surprising that performance evaluation has been reduced to a sheer formality based on the self-declarations of public managers rather than on objective data. This way, once again senior executives were deprived of an autonomous proactive role, but they were compensated by the soaring growth of supplementary allowances negotiated at the decentralized level, which surpassed the basic wage contributing to the overall pay growth. This growth has been particularly high for the 1<sup>st</sup> grade executives, whose pay has increased by around 160% compared to the 40% rise of the second tier of directors in the period 1993-2003 (Torchia 2009)<sup>2</sup>. Thus, the reform of the higher civil service has produced paradoxical effects as the variable part of pay has grown faster than expected and beyond the logic of accountability and productivity which was at the basis of the introduction of performance assessment and fixed-term positions (Gualmini 2012). Senior executives had progressively abandoned their responsibilities as 'public employers' in the collective bargaining process by "colluding with the trade unions in order to use supplementary allowances, aimed at the differentiation of performance, to distribute an ever increasing amount of resources among managers and employees" (Interview, Rome, Ministry of Public Administration senior official, 10 April 2013)

As a reaction to the perverse effects of previous reforms, a major reform in 2009 reduced the scope of collective bargaining so as to reverse the established trend to regulate public sector employment through collusive arrangements between managers and trade unions. It also set up a new performance assessment system and strengthened the managerial responsibilities of senior executives who can be held accountable for the lack of proper oversight and for any non-compliance with the procedures related to performance evaluation. Further, the reform rigidly defined threshold for performance-related pay and divided civil servants into three groups according to their performance in order to force public managers to tackle underperformance and reward merit. Finally, it introduced procedural mechanisms to ensure that political appointments were based on performance evaluation and followed a transparent and competitive procedure.

---

<sup>2</sup> It must be noted after the 1998 reform senior executive's compensation has become comprehensive in that it rewards all functions, tasks and assignments performed by public managers.

However, the reform was still under way when political elites “exploited the urgency of the crisis to reinforce the existing patterns of politicization” (Interview, Rome, Ministry of Public Administration senior official, 11 February 2013) by including two provisions regarding the appointment of public managers in the more comprehensive deficit reduction plans devised to counteract the effects of the global economic downturn. First, the procedural links between performance evaluation and political appointments were removed in 2010. Then, the minimum length of the appointment of senior executives which had been re-introduced by a previous provision in 2005 was abolished in 2011.

Given the persistent lack of an autonomous administrative elite, throughout the reform sequence set in motion by the 1992 crisis ministerial cabinets have maintained their role of large and institutionalized vehicles for political control. In 1999 the Prodi government envisaged the managerial reinvention of cabinets so as to support the modernization of the higher civil service by downsizing political staff as well as changing the professional qualification of top staffer. Yet, the main indicator of the reform failure is the enduring predominance of the members of *corps* within political staff which have continued to develop career patterns characterized by the simultaneous control of multiple positions across the Italian public sector. Top ministerial cabinets’ positions have remained concentrated in the hand of the member of the *corps* even after the introduction of some provisions such as the salary cap for policy advisors and public managers at around 300,000 euros as well as the introduction of an incompatibility regime which both were meant to constrain the assignment of jobs outside the *professional corps*.

### Summary

As summarized by table 2, the reform of the high civil service has been marked by a reactive sequence as the response to the 1992 crisis triggered subsequent development by setting in motion a chain of tightly linked reactions and counter-reactions.

**Table 2. The trajectory of policy advice (1992-2013)**

	GOVERNMENT	MEASURES
THE PATH TO THE CRISIS	Amato	<i>Legislative Decree 29/1993</i> Introduction of collective bargaining for 2nd grade executives; Enhancement of managerial autonomy; Introduction of a performance assessment system
	Prodi I	<i>Legislative Decree 80/1998</i> Collective bargaining extended to 1st grade executives; Further expansion of managerial autonomy
	D’Alema I	<i>Legislative Decree 286/1999</i>

		Reform of the performance assessment system <i>Legislative Decree 300/1999</i> Reform of ministerial cabinets
	Berlusconi II	<i>Law 145/2002</i> Abolition of the minimum length for the appointment of senior executives
	Berlusconi III	<i>Law 168/2005</i> Restoration of the minimum length for the appointment of senior executives
THE RESPONSE TO THE CRISIS	Berlusconi IV	<i>Legislative Decree 150/2009</i> Further expansion of managerial responsibilities; Reform of the performance assessment system; Introduction of procedural links between performance evaluation and political appointments <i>Decree Law 78/2010</i> Removal of procedural links between performance evaluation and political appointments <i>Decree Law 138/2011</i> Abolition of the minimum length of political appointments
	Monti	<i>Decree Law 95/2012</i> Introduction of the salary cap for policy advisors and public managers <i>Law 190/2012</i> Introduction of an incompatibility regime for professional corps

In this reform sequence, the reform of politico-administrative relationships reacted to political interference in administrative management so as to modernize policy advice. However, it allowed for counter-reactions by politicians, heads of ministerial cabinets, senior executives and trade unions who allied in order to exchange the politicization of appointments for the undifferentiated rise of civil servants' pay, which has been particularly high for top level senior executives who renounced an autonomous role in policy making processes. The empirical analysis shows how the response to the crisis constituted the final counter-reaction which emphasized politicization of appointments rather than supporting the implementation of the administrative reform re-launched in 2009.

## 2. Public employees' pay

In the aftermath of the 1992 crisis the public employment regime was privatized, as it was removed from the influence of the law and subjected to the rules of collective bargaining in order to achieve flexibility in the management of human resources within the public sector (Ongaro 2009). A two-tier labour contract system was also set up, one at the national level for each public sector and an integrative one at the level of each administration. In addition, a new autonomous agency (ARAN) was tasked with negotiating collective contracts with unions on a technical and neutral base. The reform of public employment was a reaction

against the perverse effects of a previous provision (Law 93/1983) which had endowed public employees with a double protection (laws in addition to collective contracts) without tidying up “the jungle of public employment” (Gorrieri 1972), in which a number of bureaucratic corporations had its own wages and rules as they remained shielded from the general discipline of public sector even after the implementation of Law 93/1983. Alongside the privatization of public employment a number of immediate cost-cutting measures (i.e. collective contracts were frozen by law and salaries were no longer indexed to actual inflation but to pre-agreed inflation targets) were also put in place. These interventions were effective in curbing expenditure as real wages dropped by 11% in the 1992-1995 period reaching the 1988 level whereas they had increased by 25.9% in the period 1986-1991 (Corte dei Conti 2013).

However, as soon as collective bargaining was restored since 1998 real compensation of public employees bounced back to pre-1992 levels as it raised by 11.2% in the period 2001-2010 (ARAN). The real wage growth compensated for losses suffered in the 1992-1995 but it has not been used to raise productivity and reward merit. First, the two-tier contract system produced perverse effects as the salary mass estimated during the bargaining process at the national level was significantly increased by the individual administration at the decentralized level, without any return in terms of increased productivity. Further, integrative contracts were not used to link variable components of the wage to performance. Finally, most of public employees obtained a career progression without passing any competitive selection. These perverse effects were generated by the “failure of the higher civil service reform as management by objectives had not been interposed between the political and the managerial spheres” (Interview, Rome, Ministry of Public Administration senior official, 4 June 2012). Since top managers’ appointments hinged upon political loyalty rather than identified objectives, they were not concerned about the efficient utilization of human resources.

At the beginning of its mandate, the second Berlusconi government attempted to revitalize the implementation of the privatization of public employment by setting threshold for performance related-pay as well as dividing civil servants into three groups according to their performance in order to force public managers to tackle underperformance and reward merit. Further, a tighter link between additional wage elements and performance results was assured and the relative weight of these elements vis-à-vis the basic wage was

assured. The reform also accorded preference to assessing individual performance rather than results achieved collectively by administrative units in order to safeguard merit recognition, with a view to preventing scattershot distribution of economic incentives and career advancement predominantly linked to seniority.

The economic crisis did not constitute the key factor for the re-launch of performance-related pay as the reform process had also independent reasons that go back to the interaction between the failure of the higher civil service's reform and the implementation of performance-related pay that marked previous waves of New Public Management-inspired reforms launched throughout the 1990s (Bordogna 2008). In a first phase (2008-2010) the reform of public employees' salary appeared to be linked to the early austerity measures issued by the government to slow down the pay growth such as the very moderate wage increases of the national level bargaining round in 2008-2009 and the tighter controls on collective contracts at the decentralized level, with reduced resources, introduced in 2008. Then, the urgent need to get Italy's ballooning public debt under control made "austerity measures to collide with the implementation of the new reform since 2010, substantially arresting performance-related pay implementation" (Interview, Rome, ARAN senior official, 2 May 2012) as it was deprived by risk-adverse policy makers of the economic resources needed for stimulating productivity and rewarding professionalism. Negative feedback from the unintended effects of previous reform attempts precluded the re-launch of performance related pay. After having experienced how difficult is to implement performance related pay in the Italian context, policy makers deemed its re-launch as too risky since it would have required additional expenditures for implementing measures that the politicization of civil service makes anything but guaranteed.

As it happened in 1992, public employees' wages have been substantially frozen since 2010 through the end of 2014 since the response to the crisis affected the salaries of public employees by setting a cap on increases arising from contractual renewals related to the 2008-2009 period and freezing wages at the 2010 level of total compensation, with the elimination of wage adjustment for the 2011-2013 period and the suspension without recovery of contractual procedures for the 2010-2012 period, freezing also the economic effects of career promotions, with the partial exception of the variable component linked to performance. However, because of the enduring underdevelopment of the national performance assessment system, the variable component of pay has been distributed



without any form of selectivity (CIVIT 2012). Moreover, collective negotiation at the decentralized level was not frozen but subject to tight financial brakes. A later provision allowed the subsequent Monti and Letta governments to extend the pay freeze until 2014 by administrative act, without further legislation. A pay cut affected salaries exceeding the 90,000 euros threshold but it was later considered as an illegitimate form of discriminative taxation by the Constitutional Court (sentence 223/2012), whose judgment underlined the difficulties of cutting wages in a targeted way.

### Summary

The trajectory of public employees' pay – summarized by table 3 – has not followed an autonomous causal logic as reactive sequencing in policy advice interacted with the implementation of performance-related pay. The two sequences have intersected since the early 1990s when the civil service reform designed modernization of policy advice as the prerequisite for the implementation of performance-related pay. Since then, the failed modernization of policy advice made the implementation of performance-related pay go off the rails rather than increasing efficiency and effectiveness.

**Table 3. The trajectory of public employees' pay (1992-2013)**

	GOVERNMENT	MEASURES
THE PATH TO THE CRISIS	Amato	<i>Legislative Decree 29/1993</i> Privatization of public employment Introduction of the ARAN Freeze of collective contracts Salaries indexed to pre-agreed inflation targets
THE RESPONSE TO THE CRISIS	Berlusconi IV	<i>Decree Law 112/2008</i> Introduction of tighter controls on collective contracts at the decentralized level <i>Legislative Decree 150/2009</i> Reform of the performance-related pay system <i>Decree Law 78/2010</i> Introduction of a cap on pay increase arising from 2008 and 2009 contractual renewals; Freeze of the salaries at the level of 2010 total compensation until 2013 <i>Decree Law 98/2011</i> Extension of the pay freeze until 2014

The perverse effects of civil service reform contributed to bring discredit to the prospects of modernization setting the stage for the freeze of wages which suspended the implementation of performance-related pay and reverted the upward trend of salaries.

### *3. The size of public employment*

The 1992 crisis forced the Italian Government to face the problem of a previously too sustained expansion in the number of public employees. Like in most other systems, the organisation of public personnel in Italy is based on the distinction between the workforce that abstractly is required for executing the job (notional personnel), and the actual one, which mainly depends on the resources available to each public employer (actual personnel) - the former representing a ceiling to recruitment. At the beginning of the 1990s the figures for notional staff were much above the actual staff in most public sector organizations, thus the ceiling represented by the notional staff did not operate as a mechanism containing the expansion of workforce. Furthermore, the organization chart was particularly fragmented so as to multiply the posts classified as 'managerial'.

To break this inertia, in 1993 the Ciampi Government adopted the selective measure of running periodical (every two years) estimates of the staff workload based on the set of tasks assigned to each organisation, a procedure which was meant to facilitate the determination of the 'proper' notional staff. Based on assessment methods previously approved by the Minister of Public Administration, public administrations should have realized massive plans of reorganization for reducing their workforce and rationalizing its distribution among bureaucratic units and levels of career. However, the implementation of this selective measure determined a "paradoxical expansion of the notional personnel under the pressure of internal veto players on a weak and unstable political leadership" (Interview, Rome, Ministry of Finance senior official, 22 February 2013).

Thus, later on the first Prodi government introduced in 1997 a Triennial Plan of Staff Requirement, a tool for reducing the permanent workforce by a fixed percentage (0.5 % in the first year). At the same time, the administrations gained the opportunity of compensating permanent staff losses with temporary positions. However, not unexpectedly given the history of personnel management in Italy (Cassese 1993), contracts of these temporary workers were prolonged year after year, strengthening their well-understandable expectation of being 'titularised' (i.e. that the post would early or late be switched to permanent status).

To counteract the apparently endless growth of public employment, in 2001 the block of recruitment was introduced. However, as it already happened in 1992 when the same transversal measure was adopted, too many derogations were admitted. The block has

been reiterated until 2006 while derogations have been progressively circumscribed to a limited number of public administrations. As a result of these measures, the size of public employment decreased from 3.520.000 to 3.470.000 unit in the 2002-2006 period. The State Accounting General Department pinpoints that there was a sort of compensation: while between 2003-2007 the tenured workforce decreased of 1.9% the temporary workers grew of 7,4% (Ragioneria generale dello Stato 2012). This slight decrease was not sufficient to avoid the formalization in 2005 of the infringement proceedings for violation of the Stability and Growth Pact “which provided the impulse for the launch of new measures in 2006 by the Prodi government which tried to mix across-the-board cuts and selective interventions” (Interview, Rome, Ministry of Public Finance senior official, 18 March 2013).

As for the latter, it was prescribed that, first, offices in support positions (staff rather than line offices) must not absorb more than 15 % of the total workforce; and, second, that territorially located staff offices (local offices of the central government) be merged or, in certain instances, suppressed. This complex reorganization was to be coordinated by a Cabinet Office Mission Unit jointly led by the Ministry for Public Administration, the Ministry of the Economy, and the Interior Ministry. To win veto player resistance, the government adopted the concertation method by negotiating with the most representative trade unions. Further, non-complying Departments would have been sanctioned by means of a halt to recruitment. However, this reorganization did not produce any results, as it was reportedly plagued by a range of factors, including: the “data manipulation and opportunistic behavior by the target administrations ” (Rome, Interview, Ministry of Finance senior official, 22 February 2013); the “limited political cohesion within the Government” and the abrupt termination of its mandate (Rome, Interview, Ministry of Public Administration senior official, 29 March 2013); the limits of the concertation method, at least as practiced on that occasion, which “made room for vetoes imposed by corporatist trade unions” (Rome, Interview, Ministry of Public Finance senior official, 18 March 2013). Regarding across-the-board cuts, they affected both the notional and the actual personnel. A new transversal cut of the notional staff at both the managerial and non-managerial levels, based on prefixed percentage reduction, was operated in 2006 reinforcing a previous intervention enacted in 2004. As for the actual personnel, it has been reduced by means of a replacement rate which set a cap on staff turnover in the following years at a prefixed percentage of the 2006 terminations.

Then, when the global crisis erupted in 2008, the response devised by the Berlusconi government has been based on the extension and the reinforcement of the replacement rate already in place which brought about a sharp reduction of the actual personnel (see next paragraph). The consolidation of the replacement rate was sustained by positive feedback from previous interventions as “its uniformity suits well the current politico-administrative context marked by fragmented governing coalitions incapable of setting priorities” (Interview, Rome, Trade Union senior official, 9 January 2013). Further, the downsizing of the actual workforce caused a continuous run-up of horizontal cuts in notional workforce aimed at consolidating this result by exacerbating previous cuts as well as extending them to public bodies and companies. Conversely, selective interventions have not been re-launched in response to the crisis as the implementation of previously enacted reforms clashed against crossed vetoes and ‘short time lapse syndrome’, which have acted also by shaping expectations, whereby selective cutback has been almost unanimously deemed by decision-makers as “too sophisticated, and too large to be feasible” in the Italian setting (Rome, Interview, Democratic Party MP, 8 February 2013).

The numbers of both the actual and the notional workforce have continued to plunge even under the Monti Government which, despite its technical nature, drawn up a response focused solely on the repertoire of across-the-board cuts adopted by previous party governments. The replacement rate was prolonged until the end of 2016 and the resulting reduction of the actual workforce was consolidated by further intervening on notional staff to eventually align it, in most public administrations, with the actual staff: after about a couple of decades the ceiling to recruitment based on notional staff became effective, as it eventually tended to coincide with the actual staff. The reduction in the notional staff could be compensated between different offices, within the same or across public administrations. The sanction for non-implementation lay in forbidding further recruitments to the concerned administration. Redundancies would be dealt with through inter-administration mobility. Outright dismissal of public workers was also threatened, though probably more as a means to send a strong signal about the tough constraints placed by the fiscal crisis on public expenditures “than as a really countenanced course of action” (Rome, Interview, Ministry of Finance senior official, 22 February 2013). The enforcement of the last round of notional workforce’s transversal cuts was impaired by the faltering parliamentary majority and the uncertainty and politicking triggered by the approaching political elections,

which occurred in February 2013. In August 2013 such important ministries as Interiors, Foreign Affairs, Justice, and Wealth have not reduced their staff, yet. Nonetheless, in the other ministries reductions of notional staff did occur, with cuts of 36% of the top level managerial positions, 45% of the second level and 34% of the public employees between 2007 and 2013. As a result 7,416 people of the actual workforce considered (118,571 public employees) exceeded the limits imposed by the new notional personnel. The redundancies were much less of those *ex ante* estimated by the Monti Government (11,000) and were easily absorbable by earlier retirements encouraged by normative provisions.

The reduction of the actual workforce has been also pursued by reducing the number of temporary workers. Since 2010 the public administrations' budget for fixed-term contracts has been slashed to 50% of the amount allocated in 2009. Further, the practice of titularization has become less frequent after going on over the previous decades. In the 2008-2011 period only 50,000 out of 310,000 temporary workers switched to a permanent status. At the very end of its mandate, the Monti Government postponed the wicked issue of the temporary workers as the duration of their contracts was prolonged by six month, *de facto* leaving to the next Government the solution of this tough problem. The current Letta Government first has moved this term to December 2013 and then defined a plan for the titularization of temporary workers. However, the budget law for 2014 allowed for a limited amount of permanent positions since it reinforced and prolonged the replacement rate until 2018.

### *Summary*

The empirical analysis tracked a self-reinforcing sequence as the crisis has reproduced existing patterns of reducing expenditure via decremental measures. As emerged from the empirical analysis, cutback management was facilitated by the cascading approach typical of a decremental measure such as the replacement rates, meaning that while governments adopted a top-down approach in determining how much was to be cut, they refrained from dictating the specific content on how to curb expenditure, leaving it for the individual administrative body to decide. This kind of approach suits well the Italian politico-administrative context marked as it is by the lack of reform capacity needed to undertake selective cuts. As shown by the empirical analysis the organizational fragmentation of the Italian public sector proved to be too entrenched to be addressed by such an unstable

political leadership as the Italian one. As a result, the response to the crisis – as shown by table 3 – has not been linked to any major attempt to reduce organizational fragmentation but rather it took place in several rounds of transversal cuts, as the sequential reinforcement and extension of across-the-board cuts left the government the time to progressively adjust its response to the ever-increasing pressures for fiscal consolidation.

**Table 4. The trajectory of the size of public employment (1992-2013)**

	<b>GOVERNMENT</b>	<b>MEASURES</b>
<b>THE PATH TO THE CRISIS</b>	Amato	<i>Decree Law 333/1992</i> Freeze of recruitment
	Ciampi	<i>Law 537/1993</i> Introduction of periodical estimates of staff workload
	Prodi I	<i>Law 449/1997</i> Introduction of the Triennial Plan of Staff Requirement for reducing the workforce by a fixed percentage
	Berlusconi II	<i>Law 448/2001</i> Block of recruitment until 2007 but derogations were admitted <i>Law 289/2002</i> Block of recruitment extended to regions and local authorities but derogations were admitted <i>Law 311/2004</i> 5% cut of notional workforce
	Prodi II	<i>Law 296/2006</i> Cut of notional managerial positions (10% for first and 5% for second level); Cap for notional staff offices which cannot absorb more than 15% of the total workforce; Reorganization of peripheral offices; Stabilization of temporary workers; Introduction of the replacement rate
<b>THE RESPONSE TO THE CRISIS</b>	Berlusconi IV	<i>Decree Law 112/2008</i> Further cut of notional managerial positions (20% of first and 15% of second level); 10% cut of notional spending for non-managerial personnel; Reinforcement of the replacement rate <i>Decree Law 194/2009</i> Further 10% cut of notional second level managerial positions; Further 10% cut of notional spending for non-managerial personnel; Extension of transversal cuts of notional staff to public bodies and companies <i>Decree Law 78/2010</i> Replacement rate reinforced and prolonged until 2014; 50% cut of actual spending for fixed-term contracts <i>Decree Law 98/2011</i> Reinforcement of the replacement rate <i>Decree Law 138/2011</i> Further 10% cut of notional second level managerial positions; Further 10% cut of notional spending for non-managerial personnel
	Monti	<i>Decree Law 95/2012</i> Further 20% cut of notional first and second level managerial positions; Further 10% cut of notional spending for non-managerial personnel.
	Letta	<i>Law 147/2013</i> Replacement rate prolonged until 2018 and extended to public-private companies

Further, the combination between replacement rates and cuts to temporary jobs proved to be the more politically viable tactic as it enabled the government not to face the resistance of unionized workers who opposed any hypothesis of selective dismissals shifting the burden of the crisis onto the shoulders of less organized outsiders.

#### 4. The effects of the response to the crisis

On the whole, the fiscal consolidation strategy devised by the Italian government has been effective since it met the target of containing the public payroll in the short-term (-4.6% in the 2008-2012 period according to the Corte dei Conti 2013).

**Table 5. Compensation of Italian public employees in comparative perspective (2008-2012)**

		2008	2009	2010	2011	2012
<i>Compensation of public employees/GDP at current market prices</i>	<b>Italy</b>	10.8	11.3	11.1	10.7	10.6
	<b>EU27</b>	10.6	11.3	11.1	10.8	10.7
Compensation of public employees/current expenditure	<b>Italy</b>	26.7	25.9	25.7	25.3	24.8
	<b>EU27</b>	26.4	25.8	25.6	25.4	24.9
Compensation of public employees/population	<b>Italy</b>	2.836	2.842	2.844	2.787	2.717
	<b>EU27</b>	2.655	2.665	2.725	2.718	2.736

Source: Corte dei Conti (2013)

As shown in Table 5, the response to the crisis halted the increase of the payroll as percentage of GDP since 2009, bringing its level slightly below the EU27 average since 2011. Similarly, the evolution of payroll as percentage of current expenditure has basically followed the downward trend displayed by EU member countries in the same period. As a result of this tendency, since 2012 Italians spend on public employment per person less than their counterparts in other European Union member countries.

Even if compared with the first batch of European Union member countries in a longer period, Italy appears successful in keeping public sector wage bill under control.

**Table 6. Compensation of Italian public employees in comparative perspective (1995-2013)**

		1995	2000	2005	2010	2013
<i>Compensation of public employees/GDP at current market prices</i>	<b>Italy</b>	10.9	10.4	10.9	11.1	10.3
	<b>EU12</b>	10.9	10.4	10.5	10.8	10.3
Compensation of public employees/primary expenditure	<b>Italy</b>	26.8	26.2	25.2	24.1	23.5
	<b>EU12</b>	26.2	24.7	23.6	22.5	22.5

Source: Ragioneria Generale dello Stato (2012)

In particular, Table 6 shows that the control of the payroll as percentage of GDP has been effective after the 1992 crisis in the run-up to the European Monetary Union. Then, it was relaxed after joining the EMU before the global crisis forced the Italian government to tighten the public employees' belt again so as to bring expenditure in line with EU12 levels in 2012. Further, throughout the 1995-2012 period Italy has followed the trend towards reduction of payroll as percentage of primary expenditure exhibited by the EU12 on average.

While being effective in satisfying short-term goals of fiscal consolidation, the response to the crisis risks to affect irreparably the quality of public of public services in the long run.

**Table 7. Italian public employees' age and length of service (2001-2010)**

	<b>2001</b>	<b>2006</b>	<b>2010</b>
<b>Average age</b>	44.4	46.2	48.2
<b>Average length of service</b>	16.1	17.2	18.4

Source: Ragioneria Generale dello Stato (2012)

Most of savings have been achieved through the combination of replacement rates and cuts to temporary jobs which brought down public employment size from 3.429.271 to 3.282.999 units (-4.3%) in the 2007-2011 period (Ragioneria Generale dello Stato 2012). In particular, temporary workers paid most of the price of the crisis as they passed from 304.127 to 202.918 (-33.3%) in the same period (Ragioneria Generale dello Stato 2012). However, this kind of public employment's size reduction implied weakening employees' skill capacity in combination with the huge reduction of training days which decreased by 29.3% in the period 2008-2011 (Ragioneria Generale dello Stato 2012). As revealed by the growth of the public employees' average age and length of service reported in Table 7, the containment of public expenditure came at a price of maintaining the organizational fragmentation of the public sector as well as excluding from public employment younger and more qualified prospective candidates.

Further, the response to the crisis makes untenable the widely held notion that Italian public employees constitute privileged workers. Because of the pay freeze since 2010 through the end of 2014, real wages are estimated to decrease by 10.3% in the period 2011-2014 basically resetting the growth cumulated in the 2001-2010 period (Corte dei Conti 2013). While private sector wages have grown by 18.3% in the 2007-2013 period, in the public sector the wage growth has halted at 11%. As a result, the wide gap with the private



sector wage growth cumulated in the 2000-2007 period has been first significantly reduced in the 2008-2010 period, and then reversed (ARAN 2013).

## **DISCUSSION AND CONCLUSIONS**

This article examined the range of reactions to the global crisis along three core dimensions of the Italian public employment. It addressed the crisis “containment vs reform” dilemma in public management as it sought to assess whether the current crisis provided leverage for pushing long-awaited reforms under the increasing market pressures or whether the response to the crisis has been shaped by contextual features constraining the reform capacity of Italian governments.

Empirically, the analysis shows that the response to the global crisis has reinforced the tendency towards keeping expenditure under control via straight cutback management which emerged as a reaction to the previous 1992. Conversely, successive waves of administrative reforms inspired by New Public Management have not contributed to fiscal consolidation as they found an unfavorable implementation context and produced undesired effects. As a reaction to the administrative reforms’ implementation gap, the response to the global crisis prompted a shift in the governance of public employment since it suspended the coexistence between the parallel repertoires of cutbacks and reforms which has characterized Italy since 1992.

On the one hand, the empirical analysis shows uniformity in the strategies of retrenchment as in all the three dimensions under examination the global crisis has been managed with decremental measures without sustaining the implementation of ambitious administrative modernization programs. On the other end, the empirical analysis points out that the global crisis had differentiated implications for public employment along the three dimensions under examination, since each dimension exhibited a particular reform sequence which set the direction for the response to the crisis. Whereas positive feedback sustained the self-reinforcing entrenchment of decremental measures cutting the size of public employment, counter-reactions to policy advice modernization generated negative feedback that eventually precluded the implementation of performance-related pay.

Thus, our research puts forth implications for the emerging literature which employs an historical logic of explanation by reconstructing the temporal context in which the response to the crisis occur (Peters 2011). The empirical analysis sheds light on this context that

includes not only the policy legacy of the past but also the dense exchange of influences between different but interacting policies as highlighted by the interplay of policy advice, modernization and performance-related pay. Further, the empirical analysis explored the response to the crisis by taking into account not only the institutional legacy and the internal articulation of the public employment reform but also the ongoing transformation of the fragmented Italian party system as a key contextual feature. In fact, because of their instability and fragmentation, governments – irrespective of their political or technical composition – have lacked the commitment to define innovative solutions.

However, part of the explanation for the response to the current crisis may reside in the transboundary nature of the 2008 crisis which differs from the previous 1992 crisis as it crossed political boundaries both horizontally (between EU member states operating at the same level of government) and vertically (between national government and the EU which provided assistance) while transcending also functional boundaries (the financial, economic and fiscal crises have been interlinked since 2008). Contrary to what hypothesized by the crisis management literature which points out how external actor involvement supports the exploitation of crisis as an opportunity of reform by bringing more resources and knowledge as well as serving the useful function of blame avoidance (Gilpin and Murphy 2008), the transboundary nature of the 2008 crisis put the EU under tremendous pressures to address the risks of a rapidly unfolding crisis contagion in the Euro area by emphasizing short-term crisis containment rather than more structural reforms. As it happened in Greece (Zahariadis 2013), the activation of the EU as an external actor which provided financial assistance to Italian government in buying its yield-bonds since 2011 has not implied the re-launch of structural reforms. Further research is needed to explore whether the boundary-spanning complications of the global crisis interacted with policy feedback about the lack of reform capacity exhibited by the implementation gap of previous reforms in shaping the activation of the EU as an external actor emphasizing crisis-containment rather than modernization of public services.

## References

- Ansell, C., Boin, A., & Keller, A. (2010). Managing Transboundary Crises, *Journal of Contingencies and Crisis Management*, 18, 195-207.
- ARAN (2013). *Rapporto semestrale sulle retribuzioni dei pubblici dipendenti*. Rome: Italian Agency for the Public Service Collective Bargaining.
- Barzelay, M., & Fuechtner, N. (2003). Explaining Public Management Policy Change. *Journal of Comparative Policy Analysis*, 5, 7-27.
- Berne, L., & Steifel, L. (1993). Cutback Budgeting. *Journal of Policy Analysis and Management*, 12, 664-684.
- Bezes, P. (2007). The Hidden Politics of Administrative Reform. *Governance*, 20, 23-56.
- Bezes, P., & Parrado, S. (2013). Trajectories of Administrative Reform. *West European Politics*, 36, 22-50.
- Blavoukos, S., & Pagoulatos, G. (2008). Fiscal Adjustment in Southern Europe. *Journal of Public Policy*, 28, 229-253.
- Boin, A., & 't Hart, P. (2003). Public Leadership in Times of Crises. *Public Administration Review*, 63, 544-553.
- Boin, A., 't Hart, P., & McConnell, A. (2009). Crisis Exploitation. *Journal of European Public Policy*, 16, 81-106.
- Bordogna, L. (2008). Moral Hazards, Transaction Costs and the Reform of Public Service Employment Relations. *European Journal of Industrial Relations*, 14, 381-400.
- Brandstrom, A., Bynander, F. and 't Hart, P. (2004). Governing by Looking Back. *Public Administration*, 82, 191-210.
- Capano, G. (2003). Administrative Traditions and Policy Change. *Public Administration*, 81, 781-801.
- Cassese, S. (1999). Italy's Senior Civil Service. In E. Page & V. Wright (Eds.), *Bureaucratic Elites in Western European States*. Oxford: Oxford University Press.
- CIVIT (2012). *Relazione sulla performance delle amministrazioni centrali anno 2011*. Rome: Independent Commission for Evaluation, Transparency and Integrity of Public Administrations.
- Corte dei Conti (2013). *Relazione annuale sul costo del lavoro pubblico*. Rome: Italian Court of Accounts.

- Dunsire, A., & Hood, C. (1989). *Cutback Management in Public Bureaucracies*. Cambridge: Cambridge University Press.
- Gilpin, D.R., & Murphy, P.J. (2008). *Crisis Management in a Complex World*. Oxford: Oxford University Press.
- Gorrieri, E. (1972). *La giungla retributiva*. Bologna: Il Mulino.
- Gualmini, E. (2012). The Case of Italy. In B.G. Peters & M. Braans (Eds.), *Reward for High Public Office in Europe and North America*. London, UK: Routledge.
- Hermann, M., & Dayton, B. (2009). Sense Making and Crisis Management. *Journal of Contingencies and Crisis Management*, 17, 233-241.
- Hood, C., & Wright, M. (Eds.) (1981). *Big Governments in Hard Times*. Oxford: Martin Robertson.
- Howlett, M. (2009). Process Sequencing Policy Dynamics. *Journal of Public Policy*, 29, 241-262.
- Keeler, J. (1993). Mandates, Crises, and Extraordinary Policy Making. *Comparative Political Studies*, 25, 433-486.
- Kickert, W. (2012). State Responses to the Fiscal Crisis in Britain, Germany and the Netherlands. *Public Management Review*, 14, 299-309.
- Levine, C.H. (1978). Organizational Decline and Cutback Management. *Public Administration Review*, 38, 316-325.
- Levine, C.H. (1985). From Decrementalism to Strategic Thinking. *Public Administration Review*, 45, 691-700.
- Lodge, M., & Hood, C. (2012). Into an Age of Multiple Austerities?. *Governance*, 25, 79-101.
- Mahoney, J. (2000). Path Dependence in Historical Sociology. *Theory and Society*, 29, 507-548.
- Ongaro, E. (2009). *Public Management Reform and Modernization*. Cheltenham: Edward Elgar.
- Pandey, S. (2010). Cutback Management and the Paradox of Publicness. *Public Administration Review*, 70, 564-571.
- Patashnik, E.M. (2004). *Reforms at Risk*. Princeton, NJ: Princeton University Press.
- Peters, B.G. (2011). Governance Responses to the Fiscal Crisis. *Public Money & Management*, 31, 75-80.

- Peters, B.G., Pierre, J. & Randma-Liiv, T. (2011). Global Financial Crisis, Public Administration and Governance. *Public Organization Review*, 11, 13-27.
- Pierson, P. (2004). *Politics in Time*. Princeton, NJ: Princeton University Press.
- Pollitt, C. (2008). *Time, Policy, Management*. Oxford: Oxford University Press.
- Pollitt, C. (2010). Cuts and Reforms. *Society and Economy*, 32, 17-31.
- Pollitt, C., and Bouckaert, G. (2011). *Public Management Reform*. Oxford: Oxford University Press.
- Posner, P., & Blondal, J. (2012). Democracies and Deficits. *Governance*, 25, 11-34.
- Quaglia, L. (2009). The Response to the Global Financial Turmoil in Italy, *South European Society & Politics*, 14, 7-18.
- Ragioneria Generale dello Stato (2012). *Rapporto sulla spesa delle amministrazioni centrali dello Stato 2012*. Rome: Italian State General Accounting Department.
- Raudla, R. (2012). Fiscal Retrenchment in Estonia during the Financial Crisis. *Public Administration*, 91, 32-50.
- Raudla, R., & Kattel, R. (2011). Why Did Estonia Choose Fiscal Retrenchment after the 2008 Crisis?. *Journal of Public Policy*, 31, 163-186.
- Sotirouopoulos, D. (2004). Southern European Public Bureaucracies in Comparative Perspective, *West European Politics*, 27, 405-422.
- Stolfi, F., Goretti, C., & Rizzuto, L. (2010). Budget Reform in Italy. In J. Wanna & J. de Vries (Eds.), *The Reality of Budgetary Reform in OECD Nations*. Cheltenham: Elgar.
- Torchia, L. (Ed.) (2009). *Il sistema amministrativo italiano nel XXI secolo*. Bologna: Il Mulino.
- Zahariadis, N. (2013). Leading Reform Amidst Transboundary Crises. *Public Administration*, Forthcoming.