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# The public administration paradox: an organisation with a low degree of institutionalisation

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## Abstract

This paper identifies the distinctive characteristics of the internal labour market of the public administration. It gives some examples of innovation in human resource management (particularly in the field of performance-related pay), and discusses whether and how these processes provide a solution to the problems of identity, efficiency and conflict that have affected the public administration on a broad front over the last decade. The main results of the analysis have revealed the weak institutionalisation of the public administration. The selection criteria by which the organisation determines the professional mix of occupational structure and creates a basis for performance behaviour and attitudes are very weak. Limited mobility and poor wage dynamics are the factors most strongly affecting the internal labour market. This, along with other factors discussed in the paper, makes it extremely difficult to enact private sector principles suitable to the public administration (regardless of the specific traits of the organisations concerned). Without certain structural and social preconditions, managerialism cannot provide a solution; legislation alone is not sufficient to bridge the gap and does not create the conditions for improving the organisation of public administration. © 2000 Elsevier Science Ltd. All rights reserved.

*Keywords:* Public administration reforms; Performance-related pay; Wage policy; Blocked labour market; Italian public administration

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## 1. Introduction

The aim of the paper is to identify the distinctive characteristics of the public administration's internal labour market. The need to explain certain phenomena such as inefficiency and conflict that have been prevalent in the Italian civil service over the

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last decade, first attracted attention to this topic. All these phenomena indicated a crisis in the regulatory context and a discontinuity in relationships between individuals and the organisation. The questions raised here, implicitly or explicitly, concern the nature of regulatory mechanisms, the definition of such factors as have characterised the crisis, and the relationship between the forms of regulation in the public and private sectors.

The leading concept of the paper is the public administration paradox. This paradox is explained on the one hand by the nature of the public administration as an institution representing collective interests, and on the other by its low degree of institutionalisation owing to structural weakness and the inability to effect internal integration between functions, roles and occupational groups.

The public administration is regarded as a highly institutionalised organisation, because it works for the general interest of the national community. Its mission, its leading principles for action, its decision-making procedure, and the main tasks and objectives of its employees are all established by law and democratic practice. The role of bureaucracy is not only based on technical knowledge; it is also centred on social responsibility. However, a high degree of institutionalisation is also achieved when an organisation is autonomous vis-à-vis its environment. That is, when it is self-sufficient in the allocation and management of human and financial resources, and when such a prerogative leads to good administration in relation to both the external and the internal environment. Such control capability is usually achieved through the clear definition of organisational boundaries and a high degree of internal integration. From this organisational point of view, we may say that institutionalisation of the public administration is actually very low. Many studies describe it as a fragmented organisation, with little integration between functions and roles, little focus on working processes and final results, and little internal labour market integration.

In this ambivalence lies the paradox of public administration: on the one hand, an institution representing the collective interest and, on the other, one that is characterised by a diffusion of organisational practices in which selective interests prevail. The current dilemma concerns how to govern these selective interests: what sort of organisations are needed, and what rules for the management of the internal labour market. Several countries have opted to adopt organisational principles and management techniques already employed in the private sector, instead of following a model of public regulation.

The paper will address the question of choosing such managerial innovations in the Italian public sector. It will show: how the introduction of management techniques, imported from the private sector, are not providing a new social and economic regulatory practice; how, up to now, no better or more stable solution to problems like social consensus or organisational efficiency have been found; and how the paradox is not being solved by the implementation of a new practice.

Attention will focus on the introduction of performance-related pay for operatives and managers. This specific aspect of employment relations is usually emphasised as a turning point in organisational change. The successful introduction of such a system — owing to flexible wage schemes — is seen as a signal, on the one hand, of a more dynamic internal labour market and, on the other, of the introduction of

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