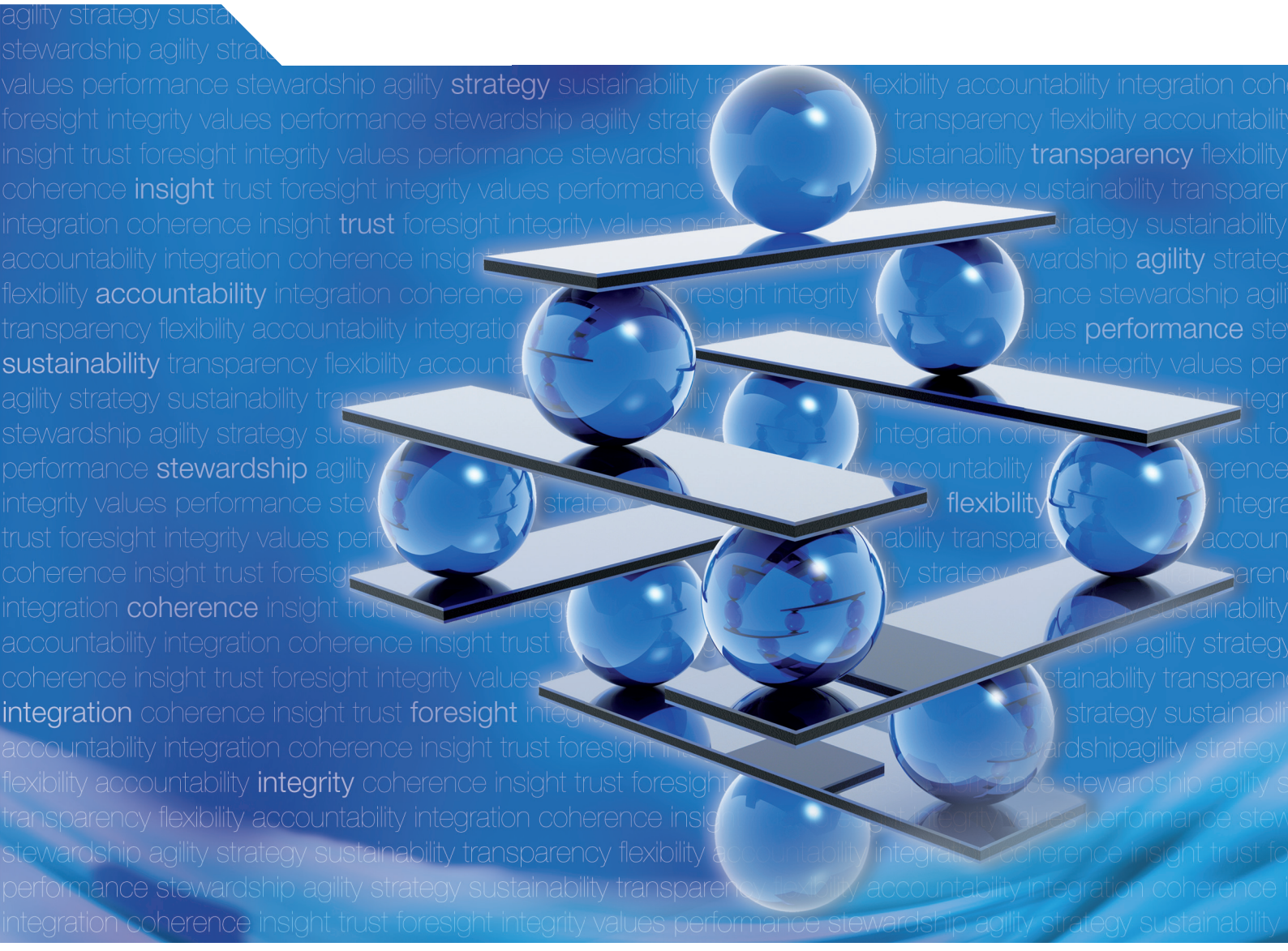
OECD Public Governance Reviews

FRANCE

AN INTERNATIONAL PERSPECTIVE ON THE GENERAL REVIEW OF PUBLIC POLICIES



OECD

OECD Public Governance Reviews: France

AN INTERNATIONAL PERSPECTIVE
ON THE GENERAL REVIEW OF PUBLIC POLICIES



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Foreword

The reform programme known as the "General Review of Public Policies" (*Révision générale des politiques publiques*, RGPP), launched by the central government of France in 2007, is an initiative without similar precedent among OECD countries, given its mode of governance, which involves the highest authorities of the French state directly and continuously. It is also rather unique in its intention to carry out, at the same time and through the same decision-making process, reforms designed to improve the quality of services to the public, to reduce costs, and to enhance the structural conditions of central government operations.

Indeed, these same objectives have motivated the public governance reforms of other advanced OECD countries for several decades, and they represent the core of the work of the OECD Directorate for Public Governance and Territorial Development. They are even more important today, when the economic and fiscal crisis demands swift adaptation by governments to make policies more effective and efficient.

OECD countries are seeking better means and methods for bringing about a change of culture within governments at the national and sub-national levels, a change that will allow ongoing innovation and a continuous search for greater effectiveness.

This report analyses the results of the RGPP reform programme in light of its initial objectives as well as the new economic and fiscal context in which France currently finds itself. The lessons drawn in terms of budgetary savings, instituting a culture of innovation, and improving service to the citizenry are important for all OECD countries in their efforts to bolster their governance and the results of government action. They are essential as well for local authorities who are also obliged to innovate in their practices in order to deliver better services at lower cost.

This report is part of a series of publications entitled *OECD Public Governance Reviews*. The broad thrust of this report was discussed at a meeting of the OECD Public Governance Committee on 8-9 November 2011 in Paris.

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The project was headed by Elsa Pilichowski, under the supervision of Caroline Varley and Martin Forst and the direction of Rolf Alter. The report was written by Elsa Pilichowski, Dirk-Jan Kraan (Chapter 3) and Arthur Mickoleit (Chapter 4) with the assistance of Jean-François Leruste (statistics) and Gabrielle Milosic (research).

Two senior government officials of OECD countries provided ongoing expertise during the missions and also at certain stages during the writing of the report:

- **Frank des Rosiers,** at the time Deputy Secretary for Priorities and Planning in the Treasury Board Secretariat of Canada, and currently Director General, Tax Policy Branch, Ministry of Finance of the federal government of Canada.
- **Mark Ormerod,** then-Director of the Law Commission and currently Director of the Probation Association in the United Kingdom.

Jennifer Allain did the layout.

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Methodological elements

Structure of the report

This report consists of a summary of recommendations followed by five chapters. Each chapter begins with a general analysis, followed by recommendations.

- **The overall context of government reform in France.** This chapter situates the RGPP in the economic and public governance context of France.
- **Scope, methods and outcomes of the RGPP.** This chapter analyses the opportunities created by the context for implementing the reform, the choice of scope, governance of the reform, the sustainability of the reform, and the possibilities for broadening it.
- **The RGPP and the organisation of central government.** This chapter reviews the rationalisations undertaken through the merger of executive units, the pooling of support functions, the creation of government operating standards, and improvements to the governance of "state operators".
- **The RGPP and the quality of service.** This chapter examines innovations implemented through the RGPP reforms, in particular those concerning online public services, one-stop shops, listening to users and addressing their needs, and ICT governance.
- **The RGPP and human resource management.** This chapter analyses efforts to optimise the size and cost of the government payroll and to make the civil service more flexible and responsive.

Methodology and base of reference

This project is part of the series of publications entitled *OECD Public Governance Reviews*. Depending on the country under review, the series focuses on either public governance as a whole, on a specific mechanism of public governance, or on a public governance reform programme. The reviews are carried out within the programme of work of the OECD Public Governance and Territorial Development Committee, which brings together the 34 member countries of the OECD and several non-member countries as observers.

The series is based on the work carried out by the OECD in recent years on public governance, as well as the comparative databases established by the OECD, notably the following:

- OECD (2011), *Government at a Glance 2011*, OECD Publishing, Paris.
- OECD (2007), *Ageing and Public Service: Human Resource Challenges*, OECD Publishing, Paris.

- OECD (2011), "Restoring public finance", GOV/PGC/SBO(2011)2/FINAL, OECD, Paris.
- OECD (2010), "Getting it right: restructuring the government workforce", GOV/PGC/PEM(2010)4, 9-10 December, OECD, Paris.
- OECD (2011), *Public Servants as Partners for Growth: Toward a Stronger, Leaner and More Equitable Workforce*, OECD Publishing, Paris.
- OECD (2010), *Public Administration after "New Public Management"*, Value for Money in Government, OECD Publishing, Paris.
- OECD (2010), *Why is Administrative Simplification so Complicated? Looking Beyond 2010*, OECD Publishing, Paris.
- OECD (2010), *Better Regulation in Europe: France 2010*, OECD Publishing, Paris.
- OECD (2010), *Information Technology Outlook*, OECD Publishing, Paris.
- OECD (2011), *Communications Outlook*, OECD Publishing, Paris.

In the case of France, the report relies in particular on the recent economic studies of the OECD as well as a number of reports provided by French government institutions, including those from the Ministry of Budget, Public Accounts and Reform of the State; the Ministry of the Public Service; and the Court of Accounts.

The bulk of the data are taken from the *OECD National Accounts* database, extracted for the most part in September 2011. The report also relies on information supplied by France at the specific request of the OECD, in particular the data on "administrative employment" (*emploi administratif*) in Chapter 3.

In addition, the OECD team conducted more than 40 interviews with French ministry representatives, including the inspection corps, the Prime Minister's Office, the *Pôle emploi*, users' associations, trade union representatives, Parliament, and the Court of Accounts, as well as think tanks and research institutes. The interviews were held in Paris between 4 and 8 April 2011 and again between 2 and 6 May 2011.

The broad thrust of the report was discussed by the OECD Public Governance Committee on 8-9 November 2011 in Paris.

The report refers to some important changes that have occurred since these missions in the period until the report was finalised in December 2011. It was not possible, however, to discuss those changes with stakeholders as an aid to analysis.

The report was drafted by the OECD Secretariat and comments and contributions were received from peers and colleagues of the Secretariat. It has been subjected to a factual verification by France.

Scope of application of the RGPP and definition of central government used in this report

Generally speaking, the state is a legal organ that imposes rules and organises society. In France, central government (*l'État*) is a legal person (an abstract entity endowed with juridical personality) under public law, whose regime departs from common law (by reason of its status as a public person). The sub-national levels of government (regions,

départements and communes) and public institutions are also legal persons under public law. They are distinct from central government. It is primarily to this separate juridical entity that the RGPP applies.

The statistics obtained from the System of National Accounts, the recognised international classification, provide a definition of central government as one of the subsectors of general government (see definition of general government in the glossary). This definition excludes sub-national governments (see definition in the glossary) and social security agencies. However, it includes entities that are legally separate from central government but are controlled by it, such as "state operators", but not the public hospitals, which are part of the social security administrations in France.

To ensure consistency between the statistics and the discussion concerning them, and to guarantee a minimum level of international comparability, this report uses the word central government in the sense of the definition of central government in the *National Accounts*. As the RGPP's scope was extended to include state operators, the *National Accounts* definition of central government is thus fairly close to the scope of the RGPP. It does not cover the social security funds, which are excluded from the definition of central government in the *National Accounts*, without exception. Our definition is valid except when it comes to discussing the central government budget (or, for example, the central government deficit) or the central government civil service, which embrace only organisations of the central government in the legal meaning of the French term "*l'État*". The scope of the definitions remains nonetheless very close.

Acronyms and abbreviations

ADELE	*Projet administration électronique* E-government Project
ANPE	*Agence nationale pour l'emploi* National Employment Agency
ASSEDIC	*Association pour l'emploi dans l'industrie et le commerce* Association for Employment in Industry and Commerce
CAS	*Compte d'affectation special* Special allocation account
CMPP	*Conseil de modernisation des politiques publiques* Public Policy Modernisation Board
DB	*Direction du budget* Budget Directorate
DGAFP	*Direction générale de l'administration et de la fonction publique* General Directorate of Administration and the Civil Service
DGFIP	*Direction générale des finances publiques* General Directorate of Public Finance
DGME	*Direction générale de la modernisation de l'État* General Directorate for Modernisation of the State
DILA	*Direction de l'information légale et administrative* Directorate of Legal and Administrative Information
DIRECCTE	*Direction régionale des entreprises, de la concurrence, de la consommation, du travail et de l'emploi* Regional Directorate for Businesses, Competition, Consumption, Labour and Employment
DISIC	*Direction interministérielle des systèmes d'information et de communication* Inter-ministerial Directorate for Information and Communication Systems
DRAC	*Direction régionale des affaires culturelles* Regional Directorate for Cultural Affairs
DREAL	*Direction régionale de l'environnement, de l'aménagement et du logement* Regional Directorate for the Environment, Planning and Housing

DRJSCS	*Directions régionales de la jeunesse, des sports et de la cohésion sociale* Regional Directorate for Youth, Sports and Social Cohesion
EPIC	*Établissement public industriel et commercial* Public Industrial and Commercial Establishment
ETI	*Entreprise de taille intermédiaire* Medium-sized enterprise
EU	European Union
GDP	Gross domestic product
GIPA	*Garantie individuelle du pouvoir d'achat* Individual purchasing power guaranty
GVT	*Glissement vieillissement technicité* "Wage drift through seniority and higher skills"
HR	Human resources
HRM	Human resource management
ICT	Information and communication technologies
LOLF	*Loi organique relative aux lois de finance* Budget Framework Law
MAF	Management Accountability Framework (Canada)
MSP	*Mon Service Public* (*https://mon.service-public.fr*) "My Public Service"
NPM	New Public Management
ONDAM	*Objectifs nationaux des dépenses de l'Assurance maladie* National health insurance expenditure targets
ONP	*Office national de paye* National Paymaster's Office
PAP	*Plan d'amélioration des performances* Performance improvement plan
PISA	Programme for International Student Assessment
RAP	*Rapport annuel de performance* Annual performance report
RCB	*Rationalisation des choix budgétaires* Budget choice rationalisation programme
RÉATE	*Réforme de l'administration territoriale de l'État* Reform of territorial administration of central government
RGPP	*Révision générale des politiques publiques* General Review of Public Policies
RMPP	*Rémunération moyenne des personnels en place* "Serving staff average pay"

SAE	*Service des achats de l'État* Government procurement office
SGAR	*Secrétariat général pour les affaires régionales* General Secretariat for Regional Affairs
SME	Small and medium-sized enterprise
SMIC	*Salaire minimum interprofessionnel de croissance* Minimum wage
SPE	*Service public de l'emploi* Public employment service
TBS	Treasury Board Secretariat (Canada)
UGAP	*Union des groupements des achats publics* Government procurement network
VAT	Value-added tax

Summary of the evaluation and recommendations

Introduction

The General Review of Public Policies (RGPP): optimising central government

The RGPP is a process for reforming central government that has been underway since July 2007. It seeks to: *i)* improve service to users; *ii)* rationalise public expenditure; and *iii)* modernise the management of the central government's human resources. More than 500 measures have been introduced since the beginning of the RGPP: of these, 119 have been officially completed and 392 are still in progress. The governance of the RGPP has been very important for this reform process, with a mechanism for providing direction, taking decisions and overseeing implementation with systematic and direct involvement by the Office of the President of the Republic, the Prime Minister's Office, and the minister in charge of reform of the state.

The RGPP consists for the most part of reforms to optimise central government, such as:

- structural reforms (for example the merger of support services, government management at the deconcentrated level, and the creation of the *Pôle emploi*);
- reforms to the internal governance and management of the civil service;
- reforms to improve the quality of service delivery, in particular via e-government tools.

The reforms have been conducted with the intention of reducing operating expenditure, including personnel costs, primarily by establishing overall targets for the ministries, and subsequently for state operators, with an aim of replacing only half of all retiring public employees as from 2008, and then by obliging them to reduce their operating expenses (excluding payroll) by 10% between 2011 and 2013.

The RGPP also contains some 80 measures to reduce and rationalise programme spending. Those measures account for slightly over 40% of RGPP budget savings. They do not, however, constitute the core of the RGPP, which is above all a reform to optimise the workings of government and the delivery of services. Other decisions to reduce transfers have been taken outside the RGPP process, notably those relating to pension and health insurance expenses (ONDAM), which entailed a different approach to decision making, involving the social partners.

With respect to reform of central government, the RGPP follows on the heels of the 2001 budgetary reform embodied in the LOLF (fully implemented in 2006), which put performance at the core of budgetary procedure and documentation. For the first time, the RGPP has required all ministries to achieve systematic efficiency and productivity gains.

The RGPP is but one component of the budgetary reform effort: many of the fiscal consolidation measures are not formally part of the RGPP portfolio (and some fiscal consolidation measures in fact deal with revenues). But the RGPP has other ambitions in terms of modernising service to citizens and improving the government's management of human resources.

In comparison with other OECD countries, what is original about the RGPP is its comprehensiveness – aiming simultaneously to cut costs, enhance quality and make government more agile. Launched prior to the current economic crisis, the RGPP places France in a relatively favourable position *vis-à-vis* other countries, for the reforms being implemented are aimed not only at reducing costs: they also pursue more strategic targets of modernising government services and operations.

Progress towards the necessary reform of government

Optimising central government, as conceived by the RGPP, is one of the primary components of the necessary government reform in France. Other reforms, relating to transfer spending, missions and the organisation of government action at the local level, will nonetheless have to be considered in order to meet the country's current economic and fiscal challenges.

The sustainability of the French system is being undermined by deteriorating economic indicators and social indicators that are showing signs of weakness

The French economy, like that of many other OECD countries, is today in a difficult situation. Its structural problems – long-standing weak economic growth, a constant government deficit generating swelling government debt, and a high level of structural unemployment – are compounded by the fiscal consequences of the current economic crisis and the policies introduced to address them. Government debt now exceeds 80% of GDP.

While French social indicators are more stable – in terms of the health system, inequality and poverty, they compare well with other OECD countries – there are some less favourable trends, as in the education sector.

Today France needs to undertake major reforms if it is to remain an influential world economic power and return to growth rates that can support its public service "model". Those reforms should focus on the role, the place and the effectiveness of government action.

As in some other OECD countries, government (including local government) plays a large role in the economy, in terms of both the tax take and public spending, which represented 56.6% of GDP in 2010 (placing France third among OECD countries, after Ireland and Denmark). What sets France apart among countries with high government expenditure is its particularly heavy spending on social transfers, and steadily rising public outlays. The French governance model is relatively more centralised, and its approaches to decision making and policy implementation are more rigid.

There is scope to make public services more efficient and less costly

The RGPP has sought to create room for manoeuvre through the reorganisation of government

In terms of organisational reform of government, France is about average among advanced OECD countries in the realms of decentralisation, deregulation, privatisation and, more recently, programme budgeting and the use of performance indicators (the LOLF) and e-government. Prior to the RGPP, however, France did not have any systematic process for reducing costs and enhancing the efficiency of government in place. In fact, the French model was notable for its rigidity in the management of resources, despite the significant changes introduced by the LOLF (for example the bundling of appropriations by programme). This was particularly the case in the government's human resource management. The rigidity meant that France was slow in undertaking the organisational changes (mergers, pooling, elimination of organisations) needed to respond to changing user demands and technological means.

There was, then, some institutional scope for making government more efficient and reducing costs. Indeed, the opportunities were probably greater than in countries that had already made significant and continuous efforts to optimise their public governance (for example through spending reviews in Australia, Canada, the Netherlands and the United Kingdom or automatic productivity cuts, as in Australia, Denmark, Finland, New Zealand and Sweden).

Other reforms of government missions and transfer spending, as well as of the local organisation of government, will have to be considered

Other areas of government action where there is potential for improving the effectiveness of public spending and cutting costs have not yet been subjected to review or systematic and formalised reform. This is the case, for example, with **the review of government missions and programme spending**. In the latter sphere, reductions and rationalisations have begun, partly through the RGPP process but mainly outside that process, for example in the area of social security financing (although the RGPP audits of 2007-2008 documented potential reforms of a number of intervention policies). Some indicators suggest that **the organisation and governance of local authorities** – characterised by a plethora of levels, a multitude of communes and a still-heavy central government presence, with rapidly rising employment levels – are costly and need to be streamlined.

The RGPP was conceived at a time of sound economic growth. Beyond the need to put optimisation reforms on a permanent footing, the question arises of how to leverage RGPP achievements so as to deliver reforms that can meet the fiscal challenges of the current economic crisis, exploit the potential gains from better local governance, and re-assess programme spending and taxation.

1. The RGPP has enhanced central government organisation and operations

- The RGPP has narrowed the gap in the realm of administrative reorganisation – merging, transferring or changing the missions of government departments – with a view to enhancing the effectiveness of government. These were reforms on which there had been consensus as to their soundness in principle, but which were difficult to carry out in France. Such was the case, for example, with the "one-stop shops" of the *Pôle emploi* (a service that combines placement assistance with disbursement of unemployment benefits) and the General Directorate of Public Finance (which combines assessment and collection of individual and corporate taxes).
- The reforms to streamline support functions by pooling them among ministries and at the deconcentrated level of central government, as well as progress with the governance of state operators, place France among the most advanced countries in these areas.
- The expanded number and greater powers of ministerial general secretaries have yielded significant improvements in the pooling of support functions within those ministries.
- The institution of standards for central government operations in new areas – for example properties management (with the reinforcement of France Domaine), computerisation (with the creation of the Inter-ministerial Directorate for Information and Communication Systems, DISIC), government procurement (with the creation of the central government Procurement Office) – represents a step toward lower operating costs. There has also been progress in standardising the organisation of central government, with the elimination of many committees and boards, and improved oversight of state operators.
- The RGPP has successfully transitioned towards more "capillary" re-organisations of services, with successful start-up of "lean management" programmes in the ministries.

But there is still scope for improvement

- Special incentives for efficiency gains and staff transfers into the newly pooled support functions have been confined to broad, central government-wide measures: replacing only half of all retiring civil servants and cutting operating costs by 10% over three years (although it seems that the support functions may have contributed more than the other functions in terms of staffing cuts). The failure to establish formal, systematic and specific pressure on the support functions (for example, through specific targets) runs the risk that some of the potential efficiency gains from pooling will be missed, and that central government may in time be confronted with higher support costs.
- Central government has not yet seized all the opportunities in terms of pooling support functions and creating operational management standards. There are further benefits to be gleaned in this area.
- Some of the features of central government organisation result from what is still a very *ad hoc* approach, with a great number of committees and boards, including those at the inter-ministerial level. Moreover, the creation of "state operators" is not governed by criteria for rationalising this choice of status for public entities in the future.

Recommendations

1. **Continue to encourage the transition towards more capillary organisational reforms**, as the opportunities decline for pursuing broad reorganisations and the further pooling of support functions.
2. **Continue to merge all poolable support functions on an inter-ministerial basis**, by creating new inter-ministerial support units or strengthening existing ones, including for example in the areas of communication, site maintenance, ICTs (pooling information processing tasks, introducing government intranets, maintaining portals) and management of the senior civil service.
3. **Strengthen the pooling of support functions at the ministerial level**, under the authority of the general secretary, especially for communications and internal audit, and for certain logistical aspects in ministries where this has not already been done.
4. **Stress the need for efficiency gains in the support functions**, for example by setting a specific target for reducing the number of support positions or the overall cost of support functions, and setting a ceiling on the proportion of "administrative positions". This will require tools for measuring the scale of employment in these support functions.
5. **At the deconcentrated level, review the human resource responsibilities of the regional and departmental prefects.** It would be useful, for example, to give them explicit authority to transfer human and material resources to encourage the pooling of support processes and functions. This would constitute a change in approach from the current ministerial management of employment ceilings but would make it possible to take greater advantage of the reforms instituted by the RéATE.
6. **Continue to bolster operational management standards in the ministries**, in particular their organisational structures (justification for the creation of state operators, type and justification of bodies such as committees and boards, including at the inter-ministerial level) as well as in internal audit, communications and certain logistical aspects (office equipment, security, reproduction – even if some standardisation in this field is already underway through central government procurement office).
7. At the same time, **continue to apply operating standards to state operators**, similar to or different from those for the ministries, depending on the sectors.

2. The RGPP efforts have modernised services by more systematically facilitating innovation, user satisfaction and more strategic use of ICTs

- The quality of public services is one of the RGPP priorities. The initial RGPP emphasis on broad organisational reforms, although designed to improve quality, tended to obscure this objective. This has become more apparent with subsequent implementation of reforms that are more clearly linked to improving the quality of service.
- Progress is now being made towards changing the culture in government by factoring in user expectations when measuring quality. Pursuing the efforts made by the LOLF and adoption of the Marianne benchmark – the "Public Service Quality Barometer" – is making it easier to understand and communicate the performance of the public sector and the level of user satisfaction with government. The RGPP has also made progress in consulting citizens and public employees about services, and in some cases about policies – an area in which France had lagged somewhat behind the other leading OECD countries.
- The RGPP has continued to modernise e-government, making many more services available via Internet and simplifying procedures. There has been a great increase in the use of government services available via Internet. Lastly, the organisational structure of information systems is improving with creation of the Inter-ministerial Directorate for Information and Communication Systems (DISIC).
- The RGPP has involved a significant effort at administrative simplification through the institution and upgrading of one-stop shops, either physical (*Pôle emploi*, DGFiP, DIRECCTE) or virtual ("Allô Service Public: 3939", *Mon.Service-Public.fr*). The RGPP has also made a start at administrative simplification, with concrete results in processes such as the delivery of motor vehicle registration certificates and long-term visas.

Efforts to date need to be consolidated in order for a real cultural change to take root

- Although all the individual components of a strategy are at hand, there is still no comprehensive and coherent strategy for service delivery. Services are delivered both online and offline: the two modes co-exist but are not integrated in a way that would respond effectively to individual needs. Services to business are even more fragmented.
- Generally speaking, use of electronic services still falls short of the OECD average, reflecting at least in part the weaknesses in communication policy and a complex pattern of co-ordination responsibilities. At the same time, there is scope for improving physical access to public services, digital or not, for certain special-needs groups (the elderly, the disabled, etc.).
- Ministries and agencies have not yet internalised the comprehensive quality approach of the RGPP or the reflex of consulting users and public employees. These risk being seen as "RGPP initiatives", with therefore a limited lifespan.

Recommendations

1. **Formulate an effective indicator for improvement in government services.** To make the modernisation initiative sustainable it will be essential to measure the results and communicate them more effectively. The Public Service Quality Barometer is an innovative tool, but it needs to be disaggregated by department or service if it is to be used to promote concrete reforms.

2. **Keep upgrading consultation of users and public employees** by systematising the process within ministries and making ministries accountable for it (see the recommendation in Section 3 concerning a management accountability framework) and gearing consultation more to policy making itself rather than confining it to administrative simplification.

3. **Facilitate access for disadvantaged groups** by delivering services in different languages, with customised services for users with disabilities, and making efforts to reach less accessible audiences, for example through non-public intermediaries or new ICT applications. In serving the disadvantaged, partnership with NGOs can be very effective. Existing initiatives targeting social innovation could be expanded in this context.

4. **Harness technology to promote more "open" government.** The *www.data.gouv.fr* platform could be used to publish detailed data from the Barometer, for example on response times or the quality of service in different areas of government. The advantage here would be to have the data interpreted by a greater number of interested parties, with the potential for improvement proposals that would differ from the ones put forward by the administration – which is the whole idea of "open data".

5. **Strengthen the strategic governance of information systems to anticipate future needs in the public sector.** The DISIC seems to enjoy sufficient support to play a crucial role in developing ICTs in government at a time of budget cutbacks, mainly through: *i)* pooling IT assets; *ii)* creating synergies between ministries for major IT investments; and *iii)* using information systems to advance strategic government goals. Over the long term, however, its success will depend on its capacity to anticipate the impacts on government and the information society of major projects planned for the future, such as the *France Numérique 2020* agenda and the possible introduction of a national digital identity scheme.

6. **Consolidate the general quality approach within a strategic vision,** by combining user satisfaction indicators with indicators of the impact of services on society and the economy. In this way, the effects of service improvements on policy effectiveness could be evaluated. For example, services provided by the *Pôle emploi* need to be made more attractive for businesses and other employers and to be more proactive *vis-à-vis* young workers. The example of service to businesses is just as relevant: while the RGPP has made considerable efforts to support business creation, innovation and international expansion, those services are still scattered among many windows and websites: they would be more effective if they were concentrated in a one-stop shop.

3. The RGPP has begun the important work of reforming human resource management (HRM), but it must be pursued further

- The requirement that only half of all retiring public servants be replaced (the "1 in 2" rule) has for the first time put pressure on staffing levels and will result in a net decrease of 6.4%, or 150 000 civil servants, at the central government level between 2007 and the end of 2012. This is a significant outcome, considering that there had never been a net decline in central government employment prior to 2006, even during the first wave of decentralisation, and that sub-national government employment rose sharply over that same period. The "1 in 2" initiative was a way of producing significant reductions in a context where staff management flexibility is limited.
- This reduction was facilitated by the return to employees of half of the budgetary savings in the form of additional remuneration of various kinds, together with other category-based or salary-based measures taken outside the RGPP.
- Some major changes are underway in human resource management, which remains an obstacle to government agility and which had previously been immune to significant reforms, in contrast to the situations in other advanced OECD countries. Beyond the renewal of labour/management dialogue, which was undertaken outside the RGPP process and produced agreements on purchasing power and contractual staff, the most important reforms have been the reduction in the number of corps, the legislation removing most barriers to mobility, and the modernisation of recruitment to institute more competency-based selection. The caution with which the performance factor has been incorporated into pay is in line with the lessons learnt from the experience of other OECD countries in this area.

The HRM model still exhibits major failings that make it difficult to reform government

- The pressure on staffing levels is often viewed by the public as a temporary effort and not as one that must be ongoing. One reason for this is that the "1 in 2" rule was presented as an across-the-board measure, although in practice it has been applied with a large degree of sectoral differentiation. The longer term feasibility of using retirements to reduce the number of employees or to reassign them to priority sectors is compromised by the fact that this principle is sometimes poorly understood and has not enlisted much support.
- Over the longer term, the overall approach to pay management has been marked by leapfrogging among the various sub-categories of public employees, it has lacked a strategy, and it has encouraged continuous pay increases. More recently, the principle of passing a portion of the financial savings from reform along to employees is an interesting one, and it has been applied in a relatively targeted way. Yet this exacerbates the difficulty of stabilising the payroll despite the fewer number of employees, it creates long-term upward pressure on pay, and it feeds expectations for systematic salary increases from reforms.
- The HRM modernisation efforts are not yet fully adequate to make personnel management more flexible, to allow for sound management of performance and skills, to systemise and formalise consideration of merit and outcomes in the management of jobs and careers, or to ensure modern management of the senior executive level.

Recommendations

1. **Keep up the pressure on staffing levels while promoting principles of differentiation between the functions and sectors of government:**
   - By insisting on strict targets for back-office functions, especially those where productivity gains are expected from the reforms underway, and conducting a detailed sectoral analysis for the functions in contact with users in order to differentiate those where the number of employees dealing directly with the public is crucial to maintaining the quality of service and those where productivity gains can be achieved.
   - By instituting systematic "automatic productivity cuts" for functions where productivity gains are on a par with those in the economy.
   - By assessing the staffing reductions that can be expected from cutting back or reorganising missions, focusing on the activities of all components of government at the local level and on services that can be appropriately provided by the private sector.
   - By insisting that the long-term principle towards which central government must strive is to make human resource policy more agile, and to make ministry managers accountable for its continuous and effective adaptation.
2. **Refine the principle of passing gains from the "1 in 2" rule along to employees, stressing the following aspects:** *i)* the importance of not impeding a decline in the payroll (beyond independent growth factors); *ii)* using the "return to employees" to achieve strategic catch-up in pay for certain categories of employees over time, or awarding non-renewable and limited bonuses for reform efforts; and *iii)* generally, using the "return" sparingly so as to reward only major reform efforts.
3. **Develop and systematise a comprehensive methodology for managing pay increases in the various occupational segments of the civil service,** taking into account all components of pay and other benefits or allowances to which employees are entitled at all stages of their lives, comparison with equivalent occupations in the private sector and in other countries, as well as the budgetary scope.
4. **Continue to develop an occupation-based civil service (*fonction publique de métiers*),** with further significant cuts to the number of corps and **a continued thorough overhaul of recruitment** to make competitions more professional and allow recruitment at mid-career.
5. **Bring systematic transparency to competitions for filling positions throughout staff careers,** through wide publication of jobs, restricting the possibility of "reserving" posts for certain corps, and instituting a systematic procedure that is open to the entire civil service and involves a recruitment panel.
6. **Establish a policy for managing the senior executive categories** that will favour managerial capacity and leadership, by instituting a single group of senior executives and amending recruitment to that group, ensuring fair opportunities for both internal and external outside candidates, instituting a transparent competition procedure for awarding all positions in light of career-demonstrated capacities, and providing ongoing training.

4. The RGPP method has proven its effectiveness in reforming how government works

- The RGPP method, which involves a decision-making process and rigorous follow-up at the highest levels of central government, implementation and strict monitoring by the directorates for the budget, modernisation of central government and the civil service, and short decision-making times, has proven its effectiveness. The RGPP has sought not only to modernise services but also to reduce costs and to improve the agility of government in the future (particularly in HRM). In doing so, it has tackled some of the structural weaknesses that characterise the workings of the French central government.
- Fiscal savings are reported to be around EUR 9.5 billion in gross terms in 2009-2011, and are forecast at EUR 15 billion in total by the end of 2013. Although the net gains are lower – mainly because of the "return" to employees – they are still significant. Savings of EUR 8.1 billion are expected from the operating budget (including the payroll), representing around 0.4% of GDP, and these are in line with the estimates of operating cost savings forecast in 2010 in the fiscal consolidation plans of OECD countries. The forecast savings in programme expenditures, at EUR 6.9 billion, are modest in comparison with the volume of transfers in the economy, but broader measures have been applied to other programme spending by all levels of government outside the RGPP process (i.e. pension and sickness benefits).

The method needs to evolve in order to ensure sustainability for the optimisation effort and be extended to reforms that will yield greater budget savings

- The decision to focus reforms on optimising the workings of central government and its services was taken at a time of healthy economic growth. In that context, the reform was presented as one that would yield significant savings. In today's different context, with its considerable fiscal problems, the RGPP reforms will represent by the end of 2013 only 11% of the general government deficit for 2010 and 13% of the deficit of the central government to which it applies (respectively 23% and 22% of the pre-crisis 2008 deficits). There is a gap between the sense of effort made by employees and the volume of reforms, on one hand, and the actual fiscal savings achieved, on the other: while those savings represent a direct contribution to the fiscal consolidation effort, they are not always seen as determining factors in solving the difficulties with public finances today.
- This gap results not only from the shifting macroeconomic situation but also from a failure to communicate with employees, and lingering confusion among employees as to the thrust of the reforms. The reforms have been perceived essentially as geared to budgetary savings and scaling back the civil service. Moreover, the problems in getting employees to implement the reforms have been compounded by the fact that they were scarcely consulted on the reform decisions.
- In this context, it will be even more difficult to make the optimisation efforts sustainable and to instil a permanent culture of optimisation.
- The macroeconomic situation is such that the reforms must be systematically extended to all areas of government expenditure where significant budgetary savings can be found, i.e. to the missions of central government, to the administrative overlap between central government and the many sub-national levels of government, to programme spending (including the hospitals and social security funds) and to tax expenditures.

Recommendations

1. **Ensure that optimisation of central government is an ongoing process, through:**
   - **Its normalisation,** by instituting automatic productivity cuts in operating budgets, reinforcing the institutional link between general secretaries and LOLF programme managers so as to tie optimisation measures more closely to LOLF indicators, and adjusting the principles of spending-cut targets (see above for staffing levels).
   - **Better communication,** stressing the fact that optimisation is a "routine" process, moving away from the idea that it systematically entails staff cuts, recognising that the major budget savings are coming from other expenditure but that innovation and optimisation are still essential for providing better service at lower cost.
   - **A greater commitment by all employees,** beginning with step-by-step delegation of the modernisation process to the ministries, while instituting a management accountability framework for senior executives, strengthening the position of the general secretaries, and pursuing efforts to encourage employee initiative.
2. **Extend systematic reform of government,** in response to the current fiscal situation, to:
   - **The missions of government:** without any consensus on reducing the broad missions of government, it should still be possible to undertake more "micro" reforms of missions in order to avoid overlapping among levels of government and with the private sector.
   - **Programme spending, particularly social transfers:** these are very high and demand comprehensive review in order to carry out coherent reforms (the RGPP audits have already improved the analysis in this respect). At the same time, tax expenditures are very significant in France and should be rationalised.
   - **The organisation of government action at the local level:** some indicators show that administrative overlap at the local level, with a great number of sub-national governments, a heavy central government presence and overlapping missions, is a major source of additional operating costs, and needs to be reformed.
3. **Make the RGPP process evolve,** distinguishing between: *i)* programme spending reforms, which would benefit from the RGPP decision-making mode and do not require the same kind of monitoring but would be enhanced by full use of the LOLF indicators; and *ii)* ongoing optimisation, which can continue to be managed by the RGPP process, while being gradually delegated to the ministries. This delegation will require an overall targeting of the reforms, the sharing of experience, and very close monitoring by the Budget Directorate (DB) and the DGME. This is a long-term undertaking that will need to be approached in stages, as ministries acquire the capacity to take on this responsibility.
4. **Create the conditions for implementing the equivalent of the RGPP at the sub-national government level,** by sharing experience with the RGPP, making available to local governments some of the reformed support functions, and increasing pressure on operating expenses, and perhaps also through automatic productivity cuts (for example, through the general operating appropriation).

Conclusion

The General Review of Public Policies (RGPP) constitutes an important step forward in the modernisation of government in France. It has sparked a systematic search for greater efficiency in government and has fostered a culture of innovation for improving service to citizens, while exerting pressure on costs.

This report stresses, however, that while much has been done, France is today faced with two essential challenges in its reform of government:

- It is important to build on the RGPP efforts in order to make them sustainable and to ensure that civil servants adopt a culture of innovation and of seeking greater governmental effectiveness. This means that the process of involving employees and ministries must evolve. There is a need to rethink the presentation of the broad principles that lead to choices in cost reductions. This will allow the RGPP to be more effectively internalised by the various stakeholders as a permanent approach.
- To address the current budget challenges, systematic reform of government must be extended to expenditures that offer greater opportunities for budget savings, such as programme spending, redefining the missions of government, and the organisation of government activities at the local level (while simultaneously initiating a reassessment of deconcentration and decentralisation).

The RGPP is, on all counts, an instructive initiative for other OECD countries and OECD partner countries seeking to launch or pursue governmental reforms. These reforms are essential for promoting economic competitiveness and equity. The governance of the RGPP, which places decision making and monitoring at the highest level of the state, could serve as an example to other countries where such reforms are especially difficult to implement.

Chapter 1

The overall context of government reform in France

This chapter places the General Review of Public Policies (RGPP) in the context of the French economy and public governance. In the first part, it will stress the need for government reform in view of the deteriorating economic situation in France and certain existing or looming challenges for society. The second part of the chapter provides an overall comparison of the structure of general government expenditure in France and the other OECD countries. Lastly, the third part will examine the history of government reform in France in relation to what has taken place in other leading OECD countries.

Introduction

France is a G8 country that compares well against most social indicators and is characterised by a government with a large role in the economy and in society. Despite its relative success, the country currently faces a number of challenges that require changes in order to achieve better economic growth and more sustainable social outcomes. For the past two decades, economic growth in France has been slow and has been accompanied by slowly but steadily increasing levels of government debt. The current economic crisis has made these structural difficulties even more acute, with levels of government debt and deficits that require immediate attention.

The purpose of this chapter is to help situate the General Review of Public Policies (*Révision Générale des Politiques Publiques* – RGPP) in the historical context of government reforms and its relation to the broader strengths and weaknesses of the French model of government intervention in the economy and in society.

In particular, this chapter will examine why government reform was necessary in light of economic and social indicators in France. It will then assess, through a review of the main government and governance indicators, as well as of the history of government reforms, the room for manoeuvre that was available for improving government effectiveness and efficiency. Finally, it will situate the RGPP reforms in this general context.

1.1. The need for government reform in France

Government spending has a particularly important role in fostering growth and social welfare

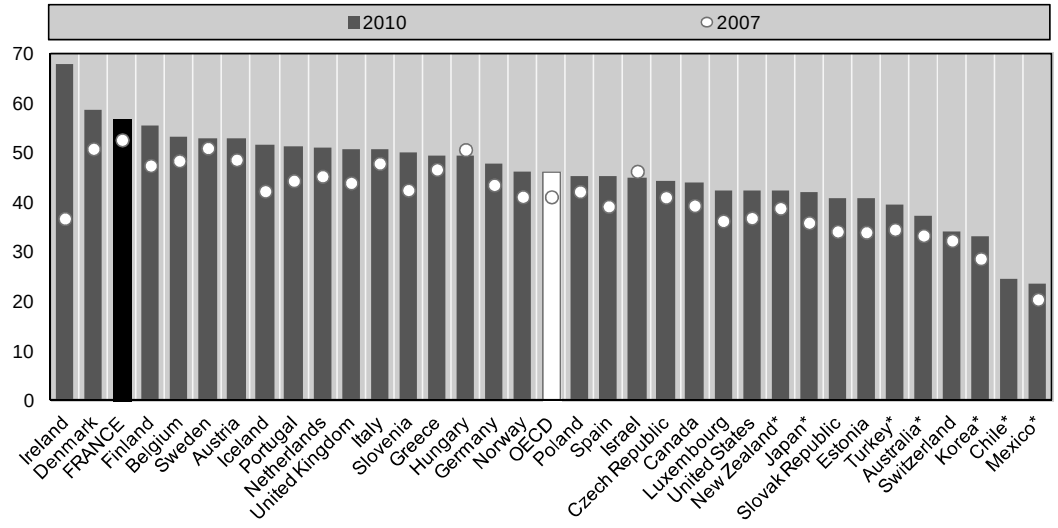
Government spending in France, measured in terms of outlays by all levels of government (including sub-national governments and the social security system) as recorded in the national accounts represented 56.6% of GDP in 2010, placing France in third position after Ireland and Denmark.[1] This means that the share of national income spent by government is very significant. As in nearly all OECD countries, that portion is now higher than it was before the economic crisis (53% of GDP – see Figure 1.1).

France stands in 11th place (7th before the 2007 crisis) in government spending per capita, while in terms of income (or GDP) per capita, France ranked only 17th among OECD countries in 2010. Government spending per capita is higher in several other countries, but it represents a lower proportion of their GDP.[2] The public sector therefore appears larger than in other countries, including those where public spending represents an equivalent share of GDP. This makes the efficiency of public spending an even more important issue.

This finding shows the considerable importance of government spending – and of its corollary: taxation and social security contributions – in fostering sustainable economic growth and a higher level of well-being in France today.

Figure 1.1. **General government expenditure, 2007 and 2010**

% of GDP



Notes: * Data for 2009 rather than 2010. No 2007 data available for Chile. Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*. The increase in Ireland is due in part to the bank bailout plan.

Source: OECD (2011), *Government at a Glance 2011*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/gov_glance-2011-en*; *OECD National Accounts.*

While economic indicators have deteriorated over time, social indicators (health, inequality, poverty) are more stable, although they are showing signs of weakness (education)

Long-term economic indicators have deteriorated and macroeconomic problems have mounted recently

Between 1990 and the 2008 economic crisis, the economic growth achieved in France was relatively low compared with that of other large or euro area economies (see Table 1.1). This reflects a continual shrinking of the potential growth rate, along with a deterioration of export market shares and net outflows of foreign direct investment since the late 1990s. In relation to the current economic crisis, France is in an intermediate position because it has strong stabilisers and a relatively sound household account. Government deficits and debt have deepened since the economic crisis, as a result of fiscal stimulus, lower revenues and higher spending on social transfers, but there is also a more structural deficit: France has not run a budget surplus since 1974. The government debt-to-GDP ratio has quadrupled since that time, reaching 82.4% of GDP in 2010, according to the Maastricht definition (and 95.2% under the System of National Accounts),[3] but it was already over 60% of GDP in 2006, prior to the economic crisis (see Figure 1.2).

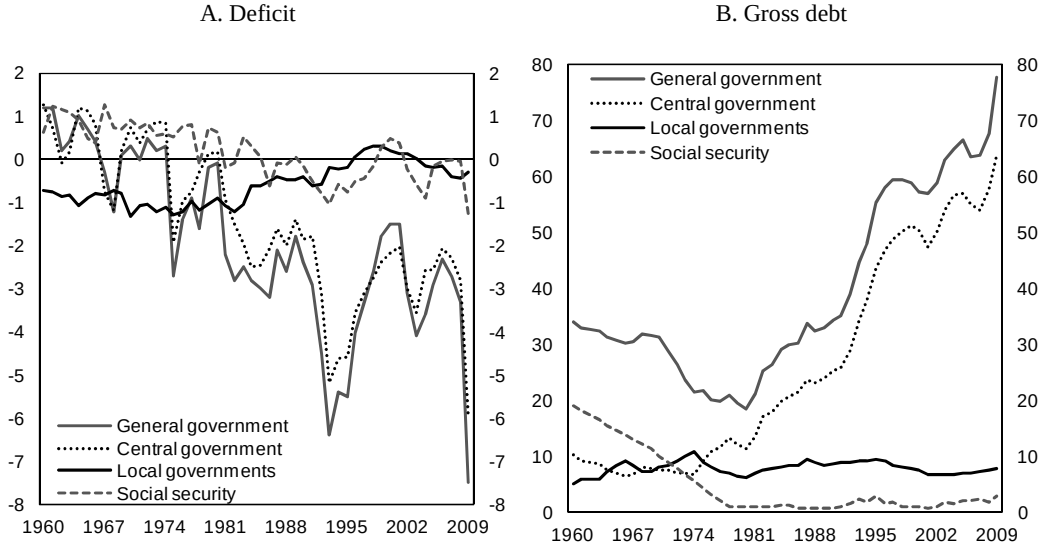
Table 1.1. **Annual GDP growth between 1990 and 2007 in selected OECD countries and in the euro area**

Country	Average annual economic growth 1990-2007
Norway	3.1
United States	2.9
Netherlands	2.8
Canada	2.6
United Kingdom	2.5
Finland	2.5
Sweden	2.4
Euro area (all countries)	2.3
Denmark	2.2
France	2.0
Germany	2.0
Italy	1.4

Source: OECD National Accounts.

Figure 1.2. **Government deficits and gross debt, by sector**

% of GDP



Note: Gross public debt for 1958-1969 is calculated using general government deficits; gross debt for central and local governments and for social security is derived using deficits for 1958-1977.

Source: INSEE; OECD (2011), *OECD Economic Surveys*, No.88, *OECD Economic Surveys: Statistics and Projections (database)*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/data-00533-en*.

Because the central government bears the costs of many social policies, including those distributed and implemented at the sub-national level, it accounts for the largest portion of the overall French government deficit.

Social security also faces growing financial difficulties: in 2010 it posted a deficit of EUR 22.8 billion.

Table 1.2. **Financing capacity or requirement of general government entities**

billions EUR

	2005	2006	2007	2008	2009	2010
Central government	-51.5	-48.4	-39.9	-63.6	-117.1	-121.5
MCGAs[1]	3.3	6.7	-8.9	-5.1	-4.6	9.1
Local governments	-3.0	-3.5	-7.7	-9.4	-6.2	-1.7
Social security administrations	0.3	2.4	4.6	13.5	-15.2	-22.8
Total general government	-51.0	-42.7	-51.9	-64.6	-143.1	-136.9
Notified public debt[2]	-50.2	-41.9	-51.6	-64.3	-142.5	-136.5

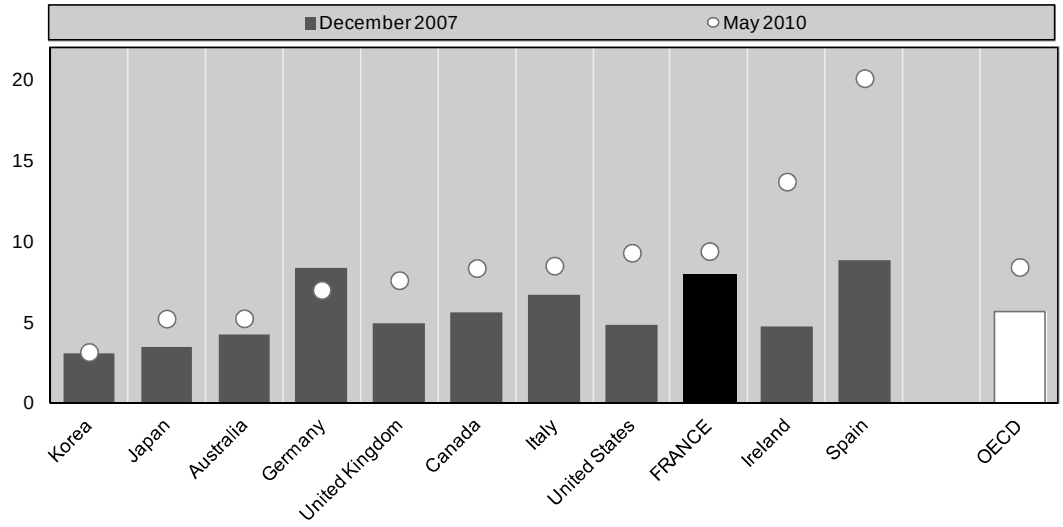
Notes: 1. Miscellaneous central government agencies. 2. In the sense of the Maastricht Treaty.

Source: INSEE (2011), "Comptes nationaux", *Tableaux de l'économie française*, INSEE, Paris, *www.insee.fr/fr/themes/tableau.asp?reg_id=0&ref_id=NATTEF08338*.

These indicators are compounded by a structural unemployment rate that is high in comparison with the more advanced OECD countries. The unemployment rate rose to nearly 10% of the labour force in 2010, from 8% in 2007 (see Figure 1.3).

Figure 1.3. **Unemployment**

% of the workforce



Source: OECD (2010), "OECD Employment Outlook 2010 – how does France compare?", *OECD Employment Outlook: Moving Beyond the Jobs Crisis*, OECD Publishing, Paris, *www.oecd.org/dataoecd/14/26/45603775.pdf*.

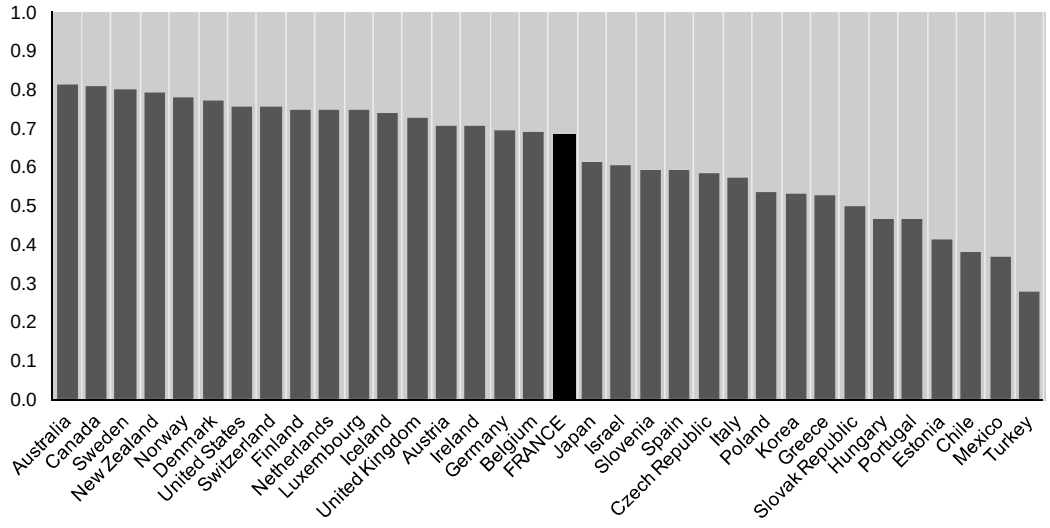
As in many OECD countries, the long-term ageing of the population will impose an additional public spending burden of around 2% of GDP by 2060, according to the European Commission (2009) (excluding the impact of the 2010 pension reform).[4] While this figure is lower than in many other European countries, it nonetheless makes it imperative to find new resources or make public policy adjustments.

There have been good social outcomes despite a number of potentially expanding difficulties in the longer term

Government policies are of course not the only factors behind a country's social outcomes in relation to those of other countries.

In terms of the well-being indicators developed by the OECD, France currently ranks 18th overall among OECD countries (see Figure 1.4). More particularly, France stands in the top half of OECD countries for health, housing, income and community support, but drops toward the lower end for jobs, education and governance.[5]

Figure 1.4. **OECD country rankings in the OECD "Better Life" Index**



Note: The OECD "Better Life" Index enables citizens to compare well-being in the 34 OECD countries on the basis of 11 criteria, the weighting of which is variable: housing, income, jobs, community, education, environment, governance, health, life satisfaction, safety, work-life balance. This index was calculated by giving an equal weight to the different fields of well-being. By changing the weights in the overall indicator, some changes to the ranking can be observed. Information on data for Israel: *http://dx.doi.org/10.1787/888932315602.*

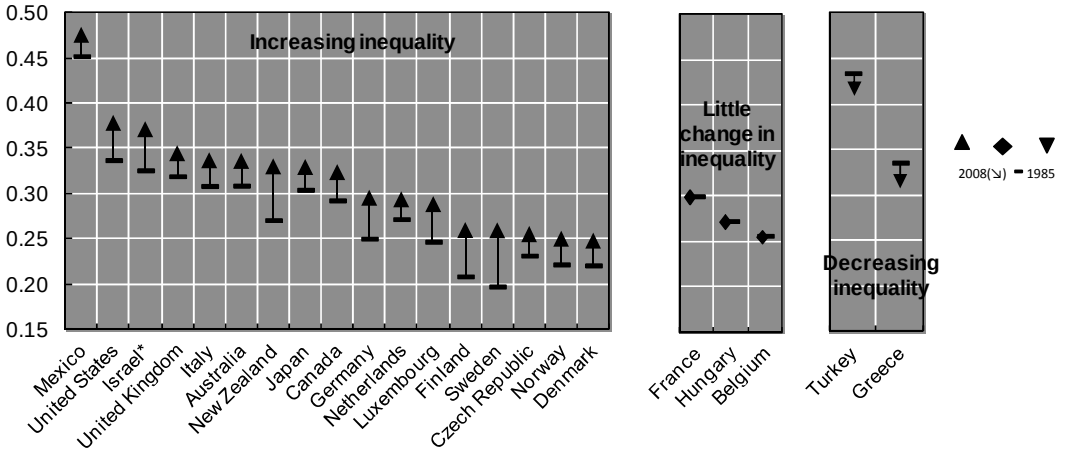
Source: OECD (2011), *www.oecdbetterlifeindex.org*.

A more detailed examination of the main areas of government social spending reveals a generally balanced and equitable health system with relatively satisfactory outcomes but a high level of spending – among the highest in Europe – although demographic trends and trends in health care spending are posing a growing challenge to government financing, as they are everywhere else across the OECD.[6] A 2010 OECD report shows the good outcomes of the French system and emphasises the possibilities for scaling back its administrative costs (OECD, 2010c).

In terms of socio-economic inequalities, the trend in long-term outcomes is fairly satisfactory compared with many other OECD countries. France is one of the few countries in which income inequality amongst the working-age population has remained stable since the mid-1980s, after declining in the 1990s and rebounding slowly over the following decade (see Figure 1.5). The redistribution efforts represented by social benefits and taxation together reduce inequality by slightly more than 30% in France. This is well above the OECD average of 25% (OECD, 2011f).

Figure 1.5. **Income inequality trends in selected OECD countries**

Gini income inequality coefficients between the mid-1980s and the late 2000s



Note: 1. "Little change in inequality" is used to describe changes smaller than two percentage points. 2. Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

Source: OECD database on income distribution and poverty; OECD (2011), *Divided We Stand: Why Inequality Keeps Rising*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/888932535185*.

The French education system, which accounted for around 11% of general government expenditures and 19% of central government expenditures in 2009,[7] seems to perform less well. PISA scores for the performance of students aged 15 put France in the OECD average, but the social inequality reflected by student performance in reading comprehension is especially high amongst the OECD countries. These outcomes are achieved with outlays per pupil that are 14% below the OECD average for primary education and 12% above the OECD average for secondary education.[8] A recent drop in education-related expenditure relative to GDP can also be noted (OECD, 2011h). According to PISA, 19.6% of 15-year-olds in France, representing a cohort of 157 000 youngsters, have severe difficulties in reading comprehension while 140 000 students leave the French education system every year without graduating.[9]

1.2. Leeway in the "model" for government expenditure and revenues in France

The economic importance of government spending and the country's structural economic weaknesses, magnified today by the economic crisis, mean that particular attention must be paid to the effectiveness of government spending and the manoeuvring room available in order to sustain the French social model. Finding room for reducing government outlays is thus today one of the fundamental aspects of a major governmental reform. This section will examine the degree to which the reforms undertaken in the RGPP process are consistent with this overall analysis of the existing leeway.

The structure of expenditure is geared towards transfers, and social benefits in particular

Government spending is divided into several categories (which are not necessarily mutually exclusive): expenditures for the production of goods and services, transfers (mostly social transfers such as pensions and unemployment allowances, but also

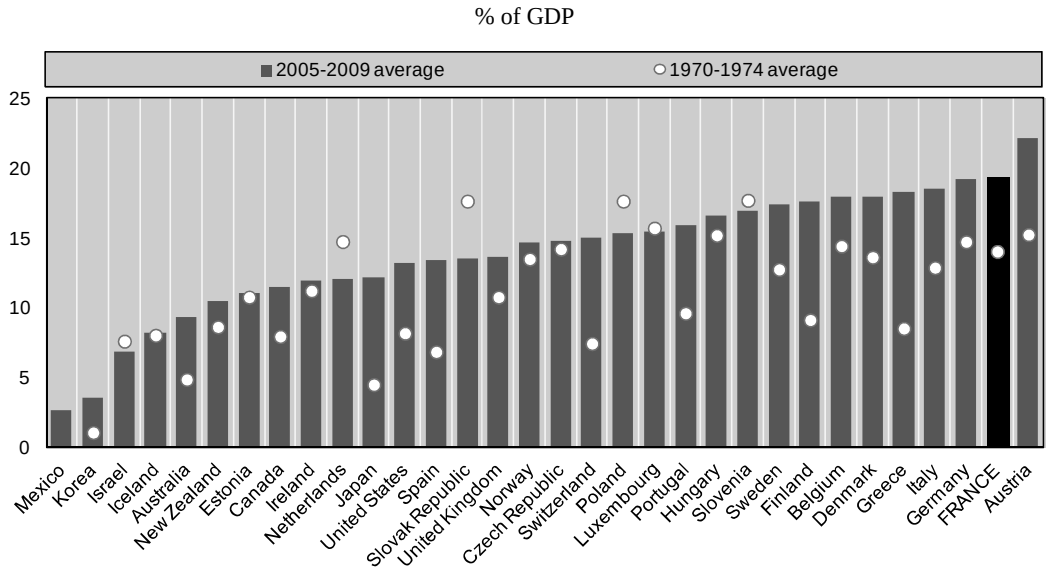
economic transfers), investment, and debt service. Relative to other countries with large public sectors, France tends to spend less on producing goods and services, but more on monetary social transfers.[10]

Social benefits represent a very high percentage of French GDP

Social benefits account for a great portion of overall transfers, consuming nearly 20% of GDP, the second-highest share among OECD countries (after Austria but before Germany) (OECD, 2011c and Figure 1.6).

Spending on social benefits such as unemployment and family benefits is particularly high in France. They account for a third of the income of French households, versus an average of 22% for the OECD countries. However, while many countries concentrate social benefits on the poorest segments of their populations, France offers all levels of society relatively more social benefits.

Figure 1.6. **Spending on social benefits**



Note: Social benefits include social security benefits paid by general government and government subsidies. Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

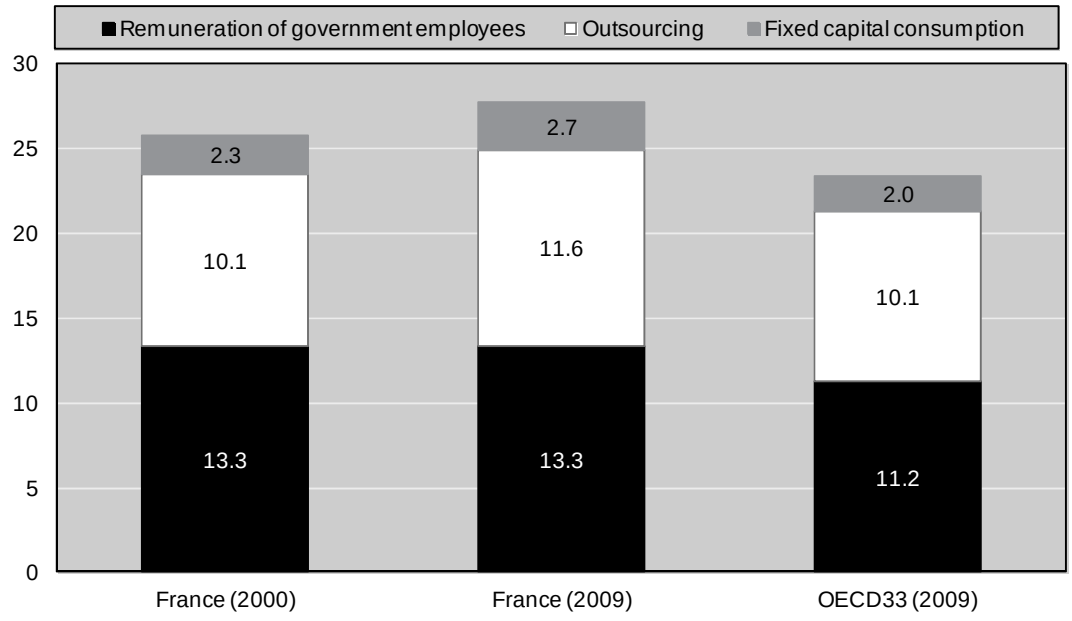
Source: OECD (2011), "Bringing French public debt down: the options for fiscal consolidation", in *OECD Economic Surveys: France 2011*, OECD Publishing, Paris, Chapter 2, *http://dx.doi.org/10.1787/eco_surveys-fra-2011-en*.

The cost of producing public services is in the medium to high range

In addition to high levels of spending on social transfers, France also devoted 27.6%[11] of GDP (2009) to the production of "public services", defined as goods and services that are funded by government but can be produced either by government itself (government employees) or by the corporate sector (public and private companies, associations, but mostly private companies) (see Figure 1.7). This is the sixth-highest percentage among OECD countries, after the Nordic countries (except Norway) and the Netherlands. France spends relatively less per capita, in absolute numbers, ranking 11th (2010).[12]

Around half of the cost of producing these goods and services (13.3% of GDP) stems from the remuneration of government employees. This percentage is lower than in Denmark, Finland, Greece, Iceland, Norway and Sweden, and is slightly higher than in Belgium, Canada, Estonia, Portugal and Slovenia.

Figure 1.7. **Production costs: cost of goods and services financed by government, 2000 and 2009**



Source: OECD (2011), "Country note: France", *Government at a Glance 2011*, OECD Publishing, Paris.

The costs of goods and services produced by enterprises (including public enterprises) or associations and funded by government – either for government consumption or for the consumption by citizens – represented approximately 10% of GDP before the 2008 economic crisis, and has increased slightly since then, to approximately 11.6% of the GDP in 2009. This percentage puts France in the category of countries in which government's use of private firms for the delivery of government-funded services as a percentage of GDP is average to high. Proportionally, however, it seems to be used more for the production of goods and services for citizens rather than for government consumption. When a rather high level of remuneration of government employees is factored in, it suggests that expenditure consumed by government itself[13] is relatively low compared to those of other countries having similarly sized administrations[14] (see Annex B, Table B.2).

There is some room for manoeuvre in cutting expenditure

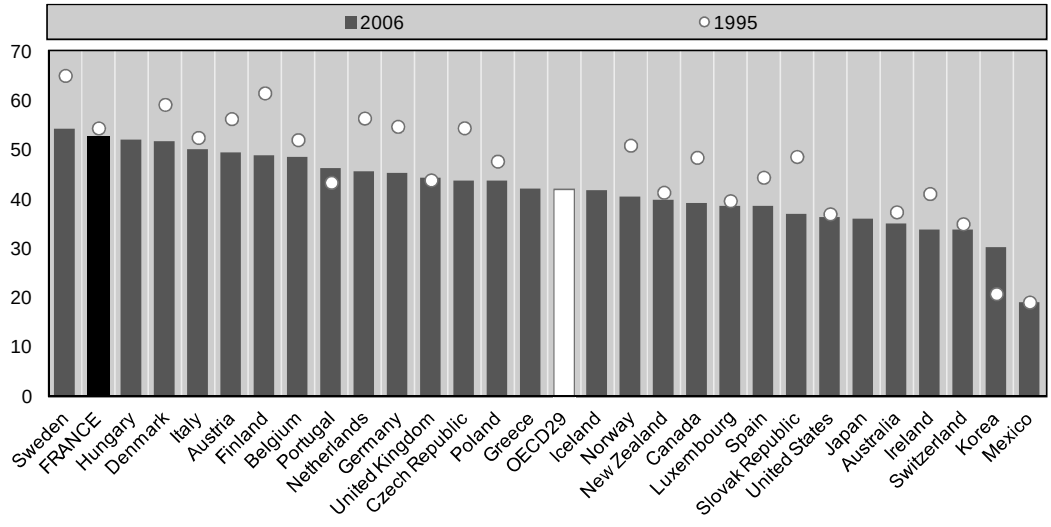
There are a number of ways to assess the overall room for manoeuvre in cutting government spending in international comparisons – first, by looking at the continuously rising long-term trend in government spending, which in some cases may signal a lack of imposed constraints over government expenditure. Then, comparisons of the major sources of spending and government policy outcomes by sector can orient the search for spending cuts on a sector-by-sector basis.

Government expenditure is rising continuously with growth

The first clue to the existence of room for manoeuvre on spending can be found in the historical continuous rise in government spending, even when economic growth is solid, leading to a stabilisation of GDP at a high level. At the same time, this proportion has dropped sharply in many OECD countries (see Figure 1.8). In countries such as Germany, Sweden and to a lesser extent the United Kingdom (see Annex C), government spending sometimes rises far more slowly, or even decreases, at times of economic growth. Budgets then follow a more counter-cyclical tendency, especially in periods of brisk growth.

Figure 1.8. **Government spending, 1995 and 2006**

General government expenditure, % of GDP



Note: 1995 data missing for Greece, Hungary, Iceland and Japan. Data missing for New Zealand and Turkey: 2005 data. Mexico: 2004 data.

Source: OECD (2009), *Government at a Glance 2009*, OECD Publishing, Paris, *http://dx.doi/10.1787/gov_glance-2011-en*; *OECD National Accounts*.

There are possibilities for adjusting expenditure on transfers, personnel and outsourcing

Compared to other countries with substantial government spending, outlays in France are more highly concentrated on social benefits. The outcomes in terms of social inequality and poverty are generally good, but not always as good as in other countries with heavy government spending. In addition, a review of the impact on income inequality of the tax system and public expenditures shows that it is clearly substantial in France, although less so than in certain other countries, including some that have lower levels of government spending and social transfers (see Annex D, Figure D.1). There may therefore be proportionately more room for manoeuvre in transfer spending in France, in particular with regard to eligibility criteria.

Various data show as well that there is room for manoeuvre in personnel costs. In particular, the government employment compensation costs have been rising steadily with economic growth (although these outlays are those that often decline as a percentage

of GDP with economic growth); the number of government employees rose steadily until 2003, despite the transfer of responsibilities to sub-national governments, and started to decrease only in 2007, while the increase in spending on staff in municipalities and inter-municipal bodies, where the number of employees has increased by 470 000 since 1996 (until 2008), bears no relation to the responsibilities transferred to them (see Chapter 5).

The costs associated with the production of goods and services by the market sector (mostly private companies) are within the average for OECD countries as a percentage of GDP. However, they have increased recently, since the economic crisis, especially with regard to goods and services produced by social sectors. Here too, there is probably room for manoeuvre.

On the other hand, the share of services provided by the private sector and consumed by government itself (computers, consultants, office equipment, etc.) as a proportion of GDP is in the lower OECD range (see Figure B.1 in Annex B). There may not be much room for manoeuvre in that part of operating expenditure, compared to other OECD countries, but it is important to identify such opportunities where they exist. These are, in fact, relatively easier to implement insofar as they diminish neither the quality nor the quantity of services provided.

The rate of taxes and mandatory social contributions is high but there is room for greater efficiency in tax expenditures

When it comes to addressing the budget deficit, it must be recognised that there is relatively little room for increasing the general rate of taxes and mandatory social contributions, which is already high in France, at 42.5% of GDP in 2010.[15]

This study is not concerned with the structure of the tax system as such, but from a governance standpoint France seems to have very considerable scope for reducing tax expenditures, which currently account for around 5% to 10% of GDP (depending on how they are defined).[16] These expenditures are both more numerous and more fragmented than in other OECD countries, and the June 2011 report of the committee set up to look at tax breaks in France points out that their cost-effectiveness is highly variable.

1.3. Potential reforms of the machinery of government could enhance the efficiency and effectiveness of general government

In addition to the room for manoeuvre that exists in the volume and in the direct allocation of public spending and in taxation, reforms in the area of governance could enhance the efficiency and effectiveness with which public administrations perform their functions, and especially in the production of goods and services. Many reforms implemented by the governments of OECD countries in the last 30 years have enhanced administrative effectiveness and efficiency. Some have been implemented in France, others have not. A comparative and historical review of these reforms will ascertain the room for manoeuvre available to the government for deploying a reform on the scale of the RGPP.

History shows that government can reform itself in France

Major structural reforms have been carried out over time

The history of reforms (see Annex E) shows that government in France has made important and relatively steady efforts at reform. As a result, major changes have been made in the structure of governmental entities and their roles in the economy. Over the last decade important reforms have brought France to an intermediate position among the more advanced OECD countries in terms of decentralisation, market liberalisation and deregulation and, lastly, privatisation.

The last great wave of reforms preceding the RGPP had to do primarily with budgetary procedure – the Budget Framework Law (Loi Organique relative à la Loi de Finances, LOLF) – and was intended to bring greater efficiency and modernisation to the provision of services. The years since 2000 have also seen progress with modernisation as a result of major efforts in e-government, and the beginning of systematic quality initiatives.

A great leap forward was achieved with the implementation of the Budget Framework Law (LOLF) at the central government level

Performance-based budgeting, through the 2001 reform of the budgeting process (the so-called "LOLF"), provides for a new way of allocating resources through missions and then programmes. Budgetary flexibility was introduced for shifting resources between recurring expenditure and capital investment. Moreover, a new accountability system was instituted in respect of the outcomes achieved by government. This new law has transformed the functioning of the French government, laying the initial foundations for a managerial culture and a systematic orientation towards performance. However, as in many OECD countries, the system is not completely satisfactory: there are still too many objectives, and the performance orientation can distract management.

Box 1.1. **The Budget Framework Law (LOLF)**

The LOLF was adopted by Parliament in 2001 and prepared for implementation between 2002 and 2005. It came into full effect with the preparation, debate and voting of the 2006 budget. Since 1 January 2006, the LOLF has constituted the new management framework for the entire government.

The government budget is now presented in terms of broad missions (32 of them in 2011), which identify the main government policies, and programmes (124 in 2011) which are broken down into specific activities or sub-programmes ("actions"). Previously, appropriations were presented by ministry and by the nature of expenditure, an approach that made it difficult to appreciate the resources devoted to different policies and the purposes pursued. Missions may be inter-ministerial. The programmes, which form the basis for managing appropriations and performance, relate to a specific ministry and are headed by a programme manager. Every year, ministers and programme managers present their strategy and objectives in an annual performance plan (PAP), set out in mission-specific documents attached to the draft budget law. The PAP provides, in particular, the performance indicators and the outcome targets.

Once the budget has been executed, management choices, actual outlays, human resource management and the record of performance *vis-à-vis* resources are all summarised in an annual performance report (RAP) attached to the Budget Review Act.

Box 1.1. **The Budget Framework Law (LOLF)** (*cont.*)

The new LOLF-related accounting now tracks not only cash outlays and revenues but also the central government's financial situation, showing what it owns (its assets) and what it owes (its liabilities). The government is required to publish its balance sheet every year, along with a statement of income and expenditure certified by the Court of Accounts.

The new presentation of the central government budget is intended to:

- Bring greater transparency to public action.
- Give parliamentarians more information and allow them to make more extensive amendments. In the past, Parliament renewed nearly 95% of appropriations in a single vote, and only "new measures" were subjected to real examination. Now, they debate and vote on the resources allocated to missions and programmes, from the first euro. Lastly, the LOLF gives them expanded powers of oversight and evaluation in order to assess government performance and public spending.
- Expand the responsibilities of government managers, giving them greater freedom in programme management, and globalising appropriations by programme (personnel expenses represent an exception to appropriation fungibility).
- Allow for management by performance, bringing together within the same document financial elements (justification of appropriations from the first euro, i.e. "zero-based budgeting") and performance measurement. Three criteria are used to assess programme performance: socio-economic effectiveness, quality of service provided, and management efficiency.
- Enhance accountability for the use of resources *vis-à-vis* the results obtained.
- Analyse the full cost of public policies, using the new accounting framework.
- Encourage multi-year management (in addition to their payment appropriations, ministries are authorised to make multi-year commitments; extensions of appropriations can be negotiated to avoid an excessive flurry of spending at the end of the year; lastly, accrual accounting facilitates a multi-year appreciation of programme management).
- Prevent a deterioration in the fiscal balance voted by Parliament, by placing a portion of appropriations in a reserve at the beginning of the year.

Source: Ministry of the Budget, Public Accounts and Reform of the State (2011), "La genèse de la LOLF", Ministry of the Budget, Public Accounts and Reform of the State, Paris, *http://www.performance-publique.budget.gouv.fr/la-performance-de-laction-publique/lessentiel/la-genese-de-la-lolf.html*, consulted November 2011.

New modes of service delivery have recently been systematised

Since the year 2000, governments have begun to systematise their quality approaches, through such initiatives as the "Marianne" benchmark, which sets out 19 commitments relating to the treatment of the users of public services, the "3939" public service hotline, and the ADELE e-government programme. Before the RGPP was implemented, France was performing relatively well in comparison to other OECD countries with regard to the availability of e-government services. For example, in 2006, France was above the average of European OECD countries in terms of providing access to the 20 most important key online public services as defined by the European Commission. This was made possible by the establishment of numerous government websites (such as

www.service-public.fr launched in 2000) that offer a wide range of online services. Yet despite an above-average number of services available online, citizen and business uptake was slightly below the OECD mean in both 2005 and 2010 (see Chapter 4).

The formalised and systematised quest for efficiency gains and greater effectiveness had been limited until recently

While France has embarked on substantial public management reforms over the past three decades, as described above, on the other hand there has been little in the way of reforms designed to bring about systematic improvement in the functioning of government, so as to provide better service at lower cost.

Optimisation reforms have been complicated by certain aspects of the public service and human resource management culture

Public service and the civil service are perceived as integrating elements of society, and this is especially true at the central government level. There is no obvious consensus on the need to rationalise them. The notion of performance, for example, has only recently made its way into the government vocabulary. Indeed, rationalisation attempts are often seen as moves to reduce the importance of government in society, thus invoking opposition and social protest. Without any change in missions, moreover, debate over government "resources" tends to be dominated by partisan ideological concerns, and quickly degenerates into a caricature of the quarrel between those who always want more spending and those who want less.

There is also a very pronounced culture by occupation within the civil service, linked in part to the management of human resources by "corps", and to the persistent influence of the old "directorate-based" approach to government. Government employees seem to identify with their occupation, which is still embodied in the organisational structure of the ministry or the directorate and/or corps, rather than with the government as a whole. Occupational identity can be a significant asset for the French government, as it makes for a highly professional civil service – as evidence of this, occupational reforms (as opposed to those targeting good management) do not seem to arouse much opposition, in contrast to the "optimisation" reforms. Nevertheless, this occupational identity is coupled with an organisation of human resources by corps, and in parallel by ministry, which contributes to an even further subdivision of this culture by occupation (see Chapter 5).

In addition to this fragmentation, France retains a rigid human resource management system in the public sector. Chapter 5 describes a system featuring complex job matrices, divided into a great many corps that until recently had evolved little. Civil servants will generally belong to one or two of these groups for the duration of their careers; the situation determines their lifetime employment generally as a function of the competitive exam they had to pass in order to enter the civil service. Employment conditions are set at the central level, although there is today a greater degree of delegation with respect to the conditions of compensation. This employment model is consistent with the civil service values of equal treatment and merit-based recruitment. In contrast, the model holds out little flexibility for staff management, increases costs, complicates mobility and makes performance-based management more difficult (see Chapter 5).

The existence of multiple sub-cultures, combined with institutional HRM rigidities, make it very difficult to enact organic operating reforms entailing mergers, organisational mobility and occupational changes within organisations.

France had not followed the trend in other OECD countries of making the search for greater efficiency and effectiveness a formal and ongoing practice

The search for cost savings and efficiency gains was never a clear priority in earlier government reforms, in contrast to many other advanced OECD member countries. Most of the broad government reforms in France have been justified essentially on grounds other than optimising services or seeking efficiency, and most have not created situations of concern to staff. Indeed, the reforms that are difficult to implement in France are those whose primary aim is to optimise services, either by introducing tools of management or systematic measures to achieve cost savings, which entail cut-backs in the number of civil servants, re-assignment of staff, changes in hierarchical structures and mergers of various groups of employees.

In this, France did not follow the reform movement undertaken in a number of other OECD countries. Many OECD countries over the years have tried to cut government spending and decrease the size of government through forced efficiency measures, involving either across-the-board cuts, with rather uneven long-term results, or reforms similar to what are now called "programme/spending reviews" or "public expenditure reviews". These tools are used to review the functioning and policies of government systematically in order to make allocation more efficient and to assess the best organisational forms to achieve public policy goals. Other types of measures such as automatic productivity cuts have also been used rather successfully to reduce spending (see Chapter 2). Prior to the RGPP, France had never embarked on such initiatives on such a scale, even if there had been more limited efforts (ministerial reform strategies and modernisation audits).

Box 1.2. **Expenditure management and strategic reviews in Canada**

Following the experience with the government spending review exercise of the 1990s (see Chapter 2), in support of the Canadian economic recovery, the strategic reviews launched in 2007 represent a cyclical and ongoing review of all line ministry spending in the federal government, intended to optimise the use of resources and achieve better tangible outcomes. Four years later, these reviews have proven their effectiveness in helping to control the growth of spending, and they have helped improve excellence in management and budgetary credibility. Drawing on the key lessons from the strategic reviews, and in view of the current economic climate, Canada has introduced a unique strategic review mechanism aiming to identify CAD 4 billion in savings by 2014-2015.

Source: Treasury Board of Canada Secretariat data (2011).

Reforms aimed at instituting a managerial culture have also remained limited

Reforms of the kind that have enhanced the managerial culture in other OECD countries (see Annex F) by giving managers more leeway to manage, improving accountability, setting accountability standards for the entire public administration, and involving users and citizens in public management, have made their appearance in France only since the adoption of the LOLF, and only partially at that. Because they are so recent it is still too early to assess the scope of these changes completely. Moreover, there are still points of rigidity within government that could make the pursuit of reforms, such as in human resource management (see Chapter 5) or institutional functioning, more difficult in France than elsewhere.

Without resorting to the overzealous reforms attempted in some OECD countries, which sometimes had harmful effects on government functioning, there was still room to introduce a managerial culture in France. This dynamic, which was begun with the LOLF, can be expected to continue via human resource management reforms, the introduction of managerial accountability and improvements to management transparency and its outcomes.

In view of the history of government reform and the lack of emphasis on reforms geared to improving productivity, everything suggests that France, before the RGPP, had much to gain from a governmental reform focused on optimisation and introduction of a more managerial culture.

Sources of government inefficiency at the local level

A fragmented local government structure[17]

The current administrative landscape of sub-national government – with its many and relatively powerful municipalities (more than 36 000), *départements* (101), and regions – results in overlapping players at various levels of local government. While overlaps exist in all OECD countries, the fragmentation of local government in France makes the situation more complex, and in all likelihood more inefficient (see Annex G for a brief history of decentralisation in France and Annex H for the responsibilities of different sub-national authorities).

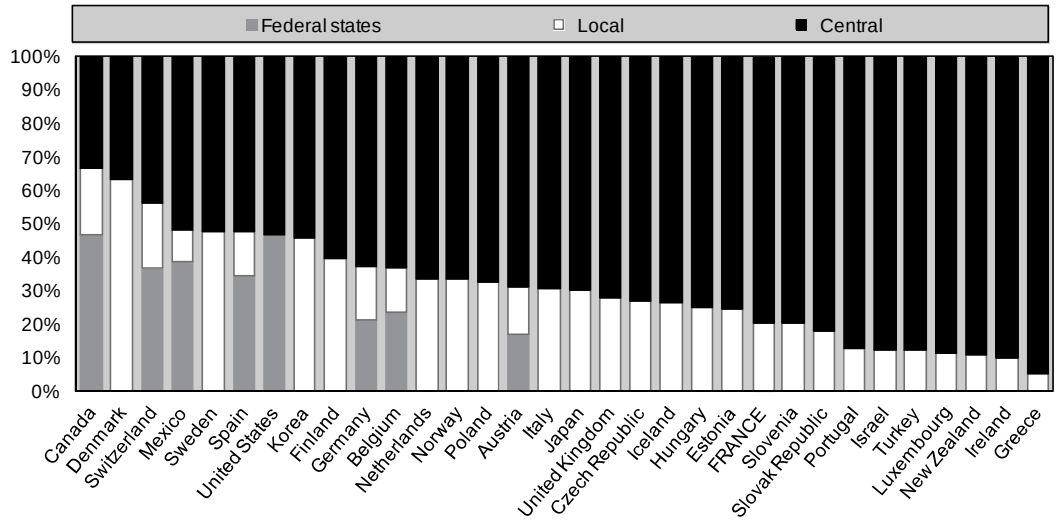
Contributing to inefficiencies and overlaps, the transfer of responsibilities has not been complete. Moreover, the existing structures of sub-national governance have never been really called into question. In effect, there seems to have been a compromise between a strong tendency to maintain traditional governance structures ("*département*" and "*commune*") and the desire for a new model where the region's role would be reinforced (at the expense of the *départements*) and where the number of *communes* would be drastically reduced (through highly structured inter-communal arrangements). Compared to recent decentralisation moves in other OECD countries, the French reforms have not resulted in any simplification or rationalisation of decentralised structures.

The central government is highly present on the local scene

The French model is still that of a rather centralised government. Despite the large number of sub-national authorities, the French government is still very present on the local scene. At the regional and departmental levels, government services co-exist with those of sub-national governments. The government maintains a local presence not only through the prefects (appointed by the President and exercising regional and departmental powers) but also through departmental directorates of various ministries placed under the authority of prefects, and which form the central government's vast network at the regional, departmental and local levels. The prefects' authority is limited to central government services delivered locally, with the exception of education, the administration of justice and tax collection.

Paradoxically, the level of local government spending in France is among the lowest in OECD countries, especially in the broad public sectors such as education, health and social protection (see Figure 1.9).

Figure 1.9. **Government expenditure by level of government, 2009**



Note: Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

Source: OECD/Korea Institute of Public Finance (2012), *Institutional and Financial Relations across Levels of Government*, OECD Fiscal Federalism Studies, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264167001-en*.

However, some 40% comes from independently imposed local taxes, a relatively high rate in comparison to other countries. Nevertheless, this finding does not factor in the recent repeal of the local business tax (*taxe professionnelle*), which constituted a major source of income for sub-national governments (OECD/Korea Institute of Public Finance, 2012).

Box 1.3. **Articulation between central and local levels in France**

Central government entities in France conduct operations in the *départements* and the regions, through offices and agencies that are extensions of the line ministries, and are known as "deconcentrated services of central government". These agencies operate under the authority of the prefect and are responsible for implementing central government policies at the sub-national level.

The powers and responsibilities of the sub-national governments are defined by law. Within the limits of those responsibilities and the legal framework, local governments have full authority to carry out the policies decided by their deliberative bodies. To this end, they have bodies that are referred to as "decentralised".

Some sub-national policies require joint involvement by the central and local governments. To this end, the central government proposes that formal agreements be concluded. These can take the form of agreements open to all territorial entities of a given category at regular intervals, such as *Contrats de projets État-régions* (CPERs) or of *ad hoc* agreements such as site contracts, which are reserved for areas that require a special revitalisation effort.

In addition, the central government plays a relatively important leading role with respect to many public policies at local levels, including, for example, in the regulation of local government employees, but also with regard to other government policies where the roles of the central government and sub-national authorities tend to overlap.

Potentially substantial costs

Decentralisation expanded with the accumulation of new players, while the central government had some difficulties withdrawing. A clear sign of inefficiencies can be seen in the personnel numbers. The swelling of staffing levels in sub-national governments – especially in the municipal and inter-municipal government structures – can be only marginally laid to the transfer of responsibilities. Likewise, until recently, the decentralisation of central government responsibilities in sub-national entities did not bring about widespread decreases in the aggregate number of central government employees[18] (see Chapter 5).

To conclude, in addition to the central government, there was also room for manoeuvre with regard to the management of overall government action at the local level.

1.4. The place of the RGPP in the context of government reform in France

When the aims of the RGPP are held up against the primary governance difficulties identified above, it is clear that the objective of the RGGP was tailored to what was at stake in central government reform in France:

1. The RGPP objectives are tailored to the "catch-up" effort needed to systematise the quest for effectiveness and efficiency, to develop a managerial culture, and to make government more flexible and responsive. Indeed, at the heart of the RGPP is the intention to optimise the central administration so as to systematically provide the best service at the lowest cost, and also to make government more flexible and responsive by improving human resource management. The core of the reforms thus included systematic and generalised targets for productivity gains, mergers and reorganisations to ensure greater efficiency and better service to users, governance and human resource measures, and greater attention to quality and user needs.
2. With regard to direct cutbacks in expenditure and a lessening of the trend towards continually mounting government spending, the RGPP objectives have also been aligned with existing room for manoeuvre, in particular as concerns central government staffing expenditure and other operating costs. RGPP measures targeting programme spending, which accounted for over 40% of the RGPP's gross budget savings, were nevertheless limited as a proportion of aggregate general government programme spending. In many cases, for institutional reasons, some programme spending measures have been taken outside the RGPP, including a pension reform voted in 2010, and progressive limitations on health expenditure (ONDAM). Other non-RGPP measures have been announced since August 2011, as part of the fiscal consolidation plan.
3. The RGPP had initially been limited to the central government *per se* (excluding state operators). Its scope of application was subsequently extended to state operators and more recently to the social security system. Insofar as the central government has no authority to reform the optimisation of sub-national governments, the general government reform disregarded the issue of the multiplicity of players with overlapping responsibilities at the local level, although a recent reform currently being implemented took tentative first steps towards a reform of sub-national entities (see Annex G).

The report will proceed to assess whether the reforms undertaken in connection with the RGPP respond to the fundamental challenges facing French governments. The RGPP will therefore be compared to the experience of other OECD countries, and be put in the perspective of the areas in which France was found in the beginning of the report to be lagging. It will in this way respond to the following questions and propose further areas for improvement:

- Will these reforms help reduce costs in the short and medium run, and in the longer run decrease the trend towards continually rising government spending?
- To what extent do these reforms represent a catch-up effort against measures that could have been implemented incrementally over the years? How much of the reforms represent a big step forward for the central government?
- Will these reforms make government more flexible, i.e. better able to adapt to changing circumstances and to implement continuous reforms for improving efficiency?
- How much pressure is the government managing to exert for cost reductions and seeking out efficiency gains, both immediately and in the longer run?
- To what extent can these reforms improve the quality of services rendered?
- How sustainable is the reform effort?
- What other reforms could have been carried out?
- What decisions are needed on all these points?

The report focuses on central government (*État*) as the RGPP is geared to reforms at that level. Given its role and its influence, central government is a good starting point for getting the reforms underway. However, as stated earlier, the challenges facing government actions at the local level will be mentioned throughout the report.

Notes

1. By definition, these data do not reflect the entire size of the public sector, since they do not include public enterprises (except for government financing for these enterprises), but the importance of public enterprises in the context of this study is limited. See Annex I.
2. In countries with a higher per capita GDP, per capita public spending may exceed that in France even if public spending as a proportion of GDP is lower.
3. See OECD (2011g) for definitions.
4. The reform is expected to generate EUR 16 billion in savings by 2016.
5. See index on the site: *www.oecdbetterlifeindex.org*, consulted in December 2011.
6. As a proportion of GDP, France ranks third among OECD countries in the share of resources allocated to health care, but only tenth in terms of per capita expenditure. In France, 77.9% of health costs is government-financed, a level that is higher than the OECD average of 71.7% and represents 9% of the country's total GDP. In comparison with other countries, France spends more public funds on health than does Spain or Switzerland, but less than the majority of Nordic countries (Denmark, Norway, Sweden) and the United Kingdom. There are many ways to measure the performance of the health system. One of these is life expectancy, but this is tied in with many other factors unrelated to government intervention. A number of other indicators must be taken into account, in particular the achievement of overall objectives as well as the fairness and distribution of access to care and the services provided. France performs relatively well against the majority of indicators. In its report that now dates back to 2000 on the performance of health care systems, the WHO ranked the French system first in the world on a combination of indicators of attainment of certain levels of care and fairness, levels and distribution of health care and levels and distribution of the reactiveness of health care systems (see OECD, 2011g; and World Health Organization, 2000).
7. OECD (2011), *National Accounts* database.
8. See: *www.oecd.org/dataoecd/44/61/48657334.pdf.*
9. The two categories are not mutually exclusive and are at least partially overlapping.
10. See OECD (2011g).
11. Including fixed-capital consumption.
12. This figure excludes fixed-capital consumption.
13. Measured indicatively as the sum of the government payroll and the cost of goods and services financed and used by government.
14. This could be explained in part by the fact that France spends less on producing services than on transfers, which are administratively less cost-intensive. The figures

suggest, however, that this is not the only reason, for these costs are also lower in terms of the overall costs of producing public services.

15. Data from the Ministry for the Budget, Public Accounts and State Reform, October 2011.

16. The latest (June 2011) report by the Committee on Evaluating Tax Expenditure and Social Contribution Expenditure (*Rapport du Comité d'évaluation des dépenses fiscales et des niches sociales*) assess the latter at 5% of GDP. A June 2010 report by the Court of Accounts on the state of and outlook for public finances estimated them at 10%. In early 2011, OECD (2011d) estimated that the actual figure lay between the government's 2008 estimate of 3.4% and the 10% finding of the Court of Accounts.

17. This part is based on OECD (2006; 2012).

18. Based on the total number of employees. At a more micro level, there may have been transfers, but which did not result in an overall decrease in the number of employees, who were perhaps replaced by persons performing other functions.

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Chapter 2

Scope, methods and outcomes of the RGPP

This chapter begins by placing the RGPP in perspective against the political, economic and demographic context prevailing during its four years of implementation. The second part examines the choice of scope for the RGPP reforms and, given that scope, the outcomes in terms of fiscal savings as well as the challenges for making the reforms sustainable. The third part looks at the process by which the reforms have been undertaken and followed through, as well as the methodology underlying and accompanying the change. Lastly, the fourth part analyses the conditions for sustainability of the RGPP initiative and for a broadening of governmental reform.

Introduction

The French government has put in place a new process for the governance of reform, one that involves officials at the highest level and that allows for great speed of implementation and accountability on the part of all civil servants. The question of the sustainability of this reform process invites an examination of the governance of reform, its pace, its scope, and the mechanisms for evaluating its success.

This chapter will look, in turn, at the specific contextual elements of the reforms contained in the General Review of Public Policies (RGPP), their scope, and their governance. It will then propose some paths for pursuing change in France and for deepening and broadening the reform.

2.1. A favourable political, economic and demographic environment for reform

As Chapter 1 showed, reforming government, especially with a view to optimising services, is not an easy task in France. The French government was able, at first, to seize upon a favourable political context and a growing economy as an opportunity for launching the reform. When the political context became less favourable during the course of implementing the reforms, the economic and fiscal crisis brought to the fore the need for modernisation, and this allowed the reforms to continue.

An initial setting favourable to reform

The RGPP came in response to some key commitments made during the election campaign of 2007. The future President of the Republic had promised not to replace one of every two retiring civil servants, seizing the unique opportunity of a temporary spike in the number of civil servants leaving for retirement. He had undertaken to cut compulsory withholdings and to carry out a number of organic reforms such as merging the National Employment Agency (ANPE) and the ASSEDIC to create a single employment window, the *Pôle emploi* (see Chapter 4), and combining the General Directorate of Public Accounts and the General Directorate of Taxation to create a single finance window, the General Directorate of Public Finances (DGFiP).

The political and demographic setting was initially favourable, then, to reform government. At the same time, economic growth (2.3% in 2007) made it possible to dedicate resources for the reform and to provide compensation to government employees. The organisational changes, sometimes costly in the short term, thus seemed doable, while the reform was made more acceptable by the promise that employees would be compensated.

This context led the government to seize the opportunity to enact a number of reforms that were deemed strategic and difficult. Close to 400 measures were taken between mid-2007 and the end of 2008. More than 150 additional measures were decided subsequently in 2010 and 2011, for implementation between 2011 and 2013.

A new imperative created by the economic and fiscal crisis

The setting for reform changed drastically during the RGPP. Just as implementation was beginning to cause difficulties, particularly within the civil service, the economic crisis and the collapse of the public finances (see Chapter 1) added urgency to the reform.

In the current context of economic and fiscal crisis, the cost reduction goals are thoroughly in line with initiatives taken in other OECD countries.

Many OECD countries have announced, as part of their efforts to restore budgetary balance, measures to reduce operating expenses and optimise services, and such measures are at the heart of the RGPP.

In a 2010 study, 21 countries (out of 28 responding) were planning to undertake reforms that would reduce public employment, either directly or indirectly (see Chapter 5). Like France, some countries wanted to seize the opportunity of a retirement spike to cut back the public workforce and restructure it. Some also linked this reduction to measures to boost productivity, notably by merging administrations, pooling services and reducing the number of hierarchical levels. In the other OECD countries, however, there do not seem to be any reforms on the scale of the RGPP, in terms of reorganisation, mergers and human resource management while at the same time boosting the quality of service along with reductions in positions. Yet many reform initiatives go unrecognised because they are delegated to the heads of different departments.

What is original in France is that the RGPP reform programme since 2008 has sought to modernise the operating conditions of government with a view to achieving long-term efficiency while improving the quality of services delivered. France has thus implemented a fairly unique programme based on three objectives that are to be pursued simultaneously: modernisation of services, cost reductions, and reform of human resources.

A positive but fragile context for pursuing government reform

The background context remains favourable to reform, for the following reasons:

- First, France launched its reform before the onset of the economic crisis, placing France in a better situation than other OECD countries. The reforms were not merely designed to cut costs but were geared above all to allowing long-term choices that would not be dictated solely by short-term budgetary constraints. It puts France in a more favourable position than some other countries, not only regarding the sustainability and consistency of the reform efforts, but also for the ownership of reforms by government employees and citizens.
- Some of the structural reforms implemented have yet to bear fruit, either in budgetary terms or in quality of service. The effects will become apparent over the medium term, gradually allowing some manoeuvring room, particularly in terms of personnel but also in terms of reinforcing "ownership" of the reforms.

Nevertheless, there are some hazards facing the reform movement, relating in part to the wider political context but also to a certain "reform fatigue" among officials. The RGPP is being called into question on many fronts, even though the imperative of broader and deeper reform is even more evident. Making the scope and the governance of the RGPP evolve will make it possible to overcome these difficulties and to continue and deepen the reform of government. The remainder of this chapter discusses how France can continue to create change by drawing on experience in other OECD countries.

2.2. The scope, fiscal impact and costs of reform

Targeting operating costs, operational reorganisation, and better management of human resources

The very title of the exercise – "General Review of Public Policies" – suggested an examination of all public spending, along the lines of the reviews undertaken in some other OECD countries (see Box 2.1), primarily for budgetary reasons.

Very early on, though, it was decided to target government operations, reducing the number of public employees in parallel with organisational reforms – mergers, restructurings, eliminating overlaps, promoting synergies, pooling and in some cases outsourcing – an improvement in the quality of services and modernisation of the civil service and its management.

The RGPP reforms to programme spending, for their part, are important but they are not the core of the RGPP measures. Savings flowing from programme expenditure reforms (better targeting for housing policy, subsidies to small and medium-sized enterprises, etc.) in fact represent more than 40% of the RGPP's fiscal savings. But other programme spending reforms, such as retirement pension reforms or additional curbs on rising health system costs (ONDAM), have been conducted outside the RGPP: they involved a wider institutional perimeter than the RGPP, and demanded the involvement of the social partners.

The efforts to make life simpler for users, to improve services, to institute a more user-centred approach to public services, to listen to users more effectively, and to improve governance of state operators were part of the RGPP from the outset, but it was only subsequently that they achieved a higher profile. At the same time, structural reforms were introduced to streamline management of the civil service and government operators.

The choice of scope has not changed over the four years of the RGPP, despite the economic crisis. While it is to some extent consistent with the governance problems and the margins of manoeuvre identified for France, it nevertheless raises questions in terms of the "meaning" given to reform, the sustainability of the optimisation effort, and the fiscal outcome.

Scope and sustainability of the reform

The importance and the limitations of the attention given to reducing the size of the civil service and operating costs

The "1 in 2" rule and the broad organisational reforms at the outset served to focus the attention of the various stakeholders

Given the breadth of the reorganisation reforms and the introduction of a rule not to replace one retiring civil servant in two, the reform was initially focused on operating costs and overall government efficiency, although many changes were also designed to improve the quality of public services. This tendency, which was subsequently corrected, reinforced the perception that the reforms were designed essentially to restructure central government and to decrease costs. This perception was further strengthened by the fact that the "1 in 2" target was presented as a global target for all ministries, and by the speed with which the reforms were selected, as well as by the limited effort made to consult

employees (although some of the reforms had been debated publicly even before the RGPP began).

Maintaining the focus on operating and personnel costs over the long term is a complex matter

In terms of managing the reform, the question of the sustainability of the focus on reducing the number of government employees and cutting operating costs is complex:

- The proposed principle of reducing overall staffing levels by a certain percentage is understandable for an initial attempt at optimisation. But universality in its application cannot in itself be a long-term objective, as can be seen in the fact that the replacement rate of personnel in the different ministries has varied widely. Experience in other OECD countries that have undertaken reforms to reduce staffing levels reveals great sectoral differentiation. Their goal has often been to reduce personnel numbers in "back-office" functions or in administrative positions (see Chapter 3), in favour of strategic services that are provided direct to users, where there is little room for personnel reduction (see Chapter 5). However, if the size of the public workforce is to be reduced significantly, it will perhaps be necessary to include cuts to certain "front-office" functions.
- On the other hand, while in addition to the "1 in 2" rule the RGPP has required a 10% cut in operating costs over the years 2011-2013, it has not systematised the search for operating cost reductions for the future. Other countries have done this using automatic productivity cuts in particular (see Box 2.4). Cuts in operating costs and staffing levels are publicly viewed as "one-off" temporary measures, and not as a permanent government quest for optimisation.

The situation is paradoxical, then, in the sense that a focus on reducing operating costs (including personnel costs) was and remains important. To achieve that, Chapter 5 points out that, in comparison to other OECD countries, the lack of flexibility in French personnel management obliged the government to set a target for staffing cuts across all ministries, even though there has in fact been a clear differentiation among ministries. A target of that kind makes the reform more difficult to "sell" to employees over the long term, as its logic and its meaning are hard to understand. The situation calls into question the sustainability of the reform. A properly organised strategic communication with employees might have made the reform easier. In time, more differentiated targeting among government sectors and functions, both in terms of staffing cuts and operating cost reductions, would help to give meaning to the reform. Over the longer term, the effort to reform human resource management will have to continue in order to achieve the necessary flexibility for gearing human resource numbers and allocation more closely to shifting priorities in public services, and to avoid having to resort to overall targets covering all government organisations, such as are in place today.

Organisational reforms were particularly difficult to implement and produce visible fiscal results only in the medium term

Reorganising sub-national units, merging directorates and government departments, and pooling support functions are difficult and complicated tasks. In fact, broad organisational reforms traditionally produce little in the way of budgetary savings in the short term, and in the long term the gains are always hard to measure, as staff are reallocated to different duties and missions ultimately change. As with smaller-scale,

more "capillary" rationalisations, they can be geared to improving the quality or quantity of services delivered or to achieving payroll savings. They often involve reorganisation "in the good sense" and are thus necessary not only because the savings thus achieved do not reduce the quality or quantity of services delivered, and are therefore "easy" savings, but also because many were designed to improve services, for example by creating one-stop shops (such as *Pôle emploi* and DGFiP).

Large-scale organisational reforms, optimisations and personnel cuts have all been lumped together in the perception of the reforms, not only making it difficult to "sell" them to staff but leaving them open to subsequent criticism when the immediate fiscal benefits are not always clear.

Recent RGPP trends reveal a shift in the coverage of the reforms, which is good for their sustainability

A number of recent developments suggest that the government has evolved in the way the type of reforms it is implementing. That change was necessary to make the modernisation effort sustainable:

- First, the large-scale organisational reforms are now completed or are under way, and the need for further major undertakings of this kind is declining, making it possible to pay more attention to service quality. User needs are now at the fore, both in terms of communication and the number and importance of reforms (see Chapter 4).
- Second, the organisational reforms instituted are more "capillary" and involve the institution of "lean management", thereby allowing fiscal gains without major organisational upheavals.

This shift in emphasis should serve to improve the conditions of the reform and make them more acceptable to employees.

The main sources of fiscal savings – government missions and social transfers – have not been the central focus of the reform

The emphasis has been placed on optimising services. The reform has paid less attention to refocusing government on its priority missions and rationalising those of secondary importance as well as programme spending. In comparison to experience in other OECD countries that have undertaken spending reviews (see Box 2.1), the RGPP is more ambitious – with general objectives for modernising government – but it lacks the same thrust in terms of programme spending and government missions. In effect, spending reviews have a broader objective than mere optimisation, as they examine the effectiveness of policies in light of their levels of financing and of alternative policies and means for achieving similar results, and they are an integral part of the budgeting process. The RGPP audits of 2007-2008 documented the results of capping the number of major intervention policies, although there were not any systematic initiatives in this area.

Box 2.1. **Spending reviews in OECD countries**

Reviews as the core of the budgeting process

Some countries have used or have recently introduced special forms of policy evaluation in the context of the budget process, under names such as "strategic policy reviews" (Australia), "strategic programme reviews" (Canada), "inter-departmental policy reviews" (the Netherlands) and "spending reviews" (United Kingdom). These procedures are seen as a particularly useful tool for the allocative function of the budget. There are three main differences with respect to the policy evaluations conducted by line ministries:

- spending reviews look not only at the effectiveness and efficiency of programmes at current funding levels but also at the consequences for outputs and outcomes of alternative funding levels;
- the Ministry of Finance or Budget holds final responsibility for the spending review procedure; and
- follow-up to spending reviews is done during the budget process.

Different procedures and trends

The procedures for spending reviews have differed widely among countries and have changed over time.

- Australia has recently started a new procedure based on selective and periodical policy reviews of spending programmes. The selection of programmes to be reviewed will be decided annually by the Cabinet.
- Canada used spending reviews in two *ad hoc* review exercises during periods of fiscal stress, in 1995/1996 and 1998/1999, in order to achieve savings. These procedures were not continued in subsequent years, but the present government intends to set up a more permanent procedure.
- Since the early 1980s, the Netherlands has used a procedure involving the annual review of a limited number of programmes to be decided by Cabinet. The number of reviews has ranged from more than 30 in the first years to an average of 5 to 10 between the mid-1980s and 2007. In recent years the number of reviews has declined.
- Since 1998, the United Kingdom has used a procedure that looks in principle at all programmes (not selective), although not on an annual basis but rather connected to the biennial setting of fiscal aggregates (fiscal framework).

Spending reviews may be selective in the sense that, in any given year or round of reviews, only a limited number of programmes are reviewed (such as in Australia and the Netherlands), or they may be universal in the sense that all programmes are simultaneously reviewed (such as in the United Kingdom). However, it is important to recognise that, in countries that use spending reviews, the resulting programme assessments are an important tool for the rational allocation of resources in the budget process, but they are certainly not the only tool.

Spending reviews are seen by the countries that use them as better than more traditional tools (such as across-the-board reductions or cuts to subsidies) for finding resources to finance new priorities.

Source: OECD (2010), *Public Administration after "New Public Management"*, Value for Money in Government, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264086449-en*.

Fiscal gains from the RGPP are relatively commensurate with the reform efforts

The fiscal outcome

The fiscal outcome is hard to establish

The fiscal outcome is hard to establish and has been the subject of debate between the government and the Court of Accounts (Court of Accounts, 2010; 2011). According to the latter, some short-term gains can be identified but the long-term gains will be hard to trace. It is not surprising that, apart from the payroll, it is difficult to conduct a complete budgetary evaluation of the measures. It would probably be desirable to avoid a presentation of fiscal savings in the progress reports, as this would leave the impression that the savings can be accurately quantified. Since 2010, an annex has been added to the Budget Review Law detailing the outcome of measures implemented and completed.

Significant savings on operating expenses

The difficulties in tracking the savings achieved should not, however, prevent an examination of all the fiscal savings forecast by government. To avoid confusion over actual and potential gains from the RGPP, it is important to separate the outcome in terms of operating savings from the outcome in terms of programme spending.

One consequence of the RGPP focus on government operating (including personnel) costs is that, naturally enough, cost reductions achieved by the RGPP in the central government budget are limited in comparison to the central government deficit and, *a fortiori*, the general government deficit. In all, according to government sources, EUR 15 billion in recurrent central government spending will have been eliminated by the end of 2013, or 11% of the 2010 general government deficit and 13% of the 2010 central government deficit (or 23% of the public deficit and 22% of the central government deficit in 2008, the year the reform was launched, when the – pre-crisis – deficit was much lower). Some transition costs are not included in the calculations (IT transitions, return to employees). On the other hand, this figure does not include certain savings targeted by the RGPP but not imputed to central government spending (closing tax loopholes, combating fraud, performance contracts in hospitals, etc.).

As a contribution to fiscal consolidation, the gross savings of EUR 15 billion must be viewed against the anticipated savings of EUR 115 billion between 2011 and 2016, EUR 74 billion of which are to come from spending cuts.

The savings from the RGPP are significant for the optimisation reforms, i.e. for the more than EUR 8 billion in gross savings on operating expenses (including the payroll), which represent 8% of these operating expenses of the central government in 2010. More broadly, these government operating savings represent 4% of the general government deficit (which is broader than the central government deficit and includes sub-national governments and social security), or 2% of all central government spending (in the legal sense of the term, as the RGPP applies essentially to the central government in this sense), but also 0.4% of GDP in 2010. In their fiscal consolidation plans as announced in 2010, only a few OECD countries announced savings on operating costs of more than 1% of GDP (Estonia, Greece, Hungary, Netherlands, Portugal and Slovenia): figures for the other countries were at or below 0.5%, with 0.5% for the United Kingdom, 0.4% for Italy and Spain, and 0.1% for Germany (OECD, 2011f).

As to the savings on transfer expenses (those that are part of the RGPP process until 2013), announced at around EUR 6.9 billion to 2013, they represent 0.35% of GDP, and must be viewed against the EUR 74 billion in expenditures savings called for in the fiscal consolidation plan to 2016. It is difficult to evaluate them in their entirety, as they are supplemented by a series of measures taken outside the RGPP, and it would take a complete examination of the fiscal consolidation plan, which is beyond the scope of this report. One may say, however, that the RGPP process has not been used to carry out the most financially interesting reforms of the fiscal consolidation plan, nor to perform a review of missions as a way of achieving greater fiscal savings.

The scope of the RGPP measures was in itself limited by the decision to address transfer spending only marginally and to focus primarily on operating expenses (including the payroll). Nevertheless, the views expressed by the Court of Accounts, calling for a detailed and continuous evaluation of net gains from the reforms over the long term, deserve to be followed up.

The question which arises at this point, and which is examined later on in this report, is whether the RGPP mandate should be broadened and whether the RGPP governance process should be used to carry out other reforms with greater fiscal potential.

The reform could be made less costly

The transition costs associated with reform are always significant but initially difficult to quantify, particularly in the case of organisational reforms, mergers and transformations. Organisational reforms in government are difficult to assess over the long term, as governments have a tendency to change their missions, and it is seldom possible to evaluate the same mission over successive years. The National Audit Office in the United Kingdom has estimated the cost of 90 reorganisations undertaken in that country between 2006 and 2010 at GBP 780 million, derived essentially from spending on IT, employment and real estate costs, and it notes that the cost-benefit ratio of reforms has not been sufficiently examined.

It must be noted that France has not yet established a specific modernisation fund for the reforms. This has probably helped to avoid competition for funds among directorates and ministries and has made it possible to select necessary reforms even if they are "too expensive" or "not expensive enough" to be pursued through a modernisation fund.

The costs of monitoring by the various control units (in particular the Inspectorate General of Finance), the DGME (General Directorate for State Modernisation) and consulting firms are significant but cannot be accurately quantified. Consulting costs seem to have run at around EUR 20 million a year since 2008.[1]

There is no doubt that the reforms have demanded a great adjustment effort on the part of employees, some of whom seem to have experienced great difficulties, especially because the structural conditions of the reform as it relates to human resource management are complicated, and employees are not accustomed to optimisation and structural reforms. For this reason, improving the structural conditions of the reform in human resource terms is essential for the future of the exercise (see Chapter 5).

On the other hand, the usual costs of the reform are compounded by the return to employees of half the savings from the "1 in 2" rule (see Chapter 5 for more details). The choice of returning the gains from the reform to public employees, while interesting in principle because it offers compensation for efforts and makes the reform more acceptable, should be reconsidered for the future:

- The current fiscal situation demands major savings, and at a time when the unemployment rate is high and salary increases in the private sector are restrained, any raising of salaries in the public sector should be confined to strategic catch-ups for certain categories of employees. This has been the case in part for the increases made through the RGPP process. In fact, in other OECD countries faced with a difficult economic situation, governments have instead chosen to freeze or reduce salaries or benefits for certain categories of civil servants (see Chapter 5). It should be noted that France also decided to freeze the index point for overall increase in salaries for the civil service in 2011 and then in 2012.
- The category-specific increases do not seem to be the systematic result of any comparative studies looking at overall compensation levels within the civil service among different categories and levels, or between the public and private sectors, or between these categories and their foreign counterparts.[2] Although France has a very high level of statistical analysis of its civil service and outstanding publications on the civil service, an analysis of total compensation including all bonuses and other benefits could be helpful in making strategic decisions on the necessary increases (see Chapter 5).
- A portion of the savings from reform could have been directly and visibly reinvested in modernisation measures or in improvements to service delivery (at managers' discretion, if necessary). This principle has, in fact, been applied to the Ministry of Defence. Other OECD countries also apply it occasionally, reinvesting a portion or all of the gains from optimisation efforts in improving services in the departments and agencies where the efforts were made. This could also constitute a factor of motivation for employees.
- Lastly, a clear message should be put out that reforms and modernisation of services are part of the normal course of government. While temporary bonuses might be allocated when the reforms are biting, in no case should they be made permanent "after the effort".

2.3. Governance of the RGPP

Commitment and follow-up at the highest levels of government

From the outset of the RGPP audit process, it was considered that certain reforms were "ready to go". They had been carefully considered over several years, they commanded relative consensus, and all they needed was a decision to implement them. Thinking about government reforms had picked up pace since the 1980s, and more recently with creation of the Commission on State Reform and the Ministerial Reform Strategies, although that thinking had not come to a systematic conclusion because of a delicate social context.

Audit teams comprising members of the inter-ministerial and ministerial inspection units and private consultants were thus given the task of preparing, in just a few months, an analytical report with proposals for each ministry, which was kept confidential. With the help of the DGME and the DB (Budget Directorate), and after review by the Monitoring Committee (see Box 2.2), proposals for decisions were made to the Public Policy Modernisation Council (CMPP), chaired by the President of the Republic, who then made the decisions for all ministries. The ministries, then, were all subject to the

same decision-making process, which involved both the President's and the Prime Minister's Offices.

All players agreed on the need to involve both heads of the executive in taking decisions on the reforms and monitoring them (see Box 2.2). A long-standing tradition in France made reform of the government a matter for the Prime Minister. The ministries themselves had little input on reforms proposed for the first phase of the RGPP, but they were more closely involved in the second phase.

Box 2.2. **Governance of the RGPP**

The Public Policy Modernisation Council (CMPP): validating and monitoring the RGPP

Chaired by the President of the Republic, the CMPP embraces the entire government and the permanent members of the Monitoring Committee. It constitutes the body for validating decisions examined in advance by the Monitoring Committee. It sets the broad guidelines and defines the stages of the reform. The Minister of Budget, Public Accounts and Reform of the State serves as its general rapporteur.

Since the RGPP was launched in July 2007, the CMPP has met five times: 12 December 2007, 4 April and 12 June 2008, 30 June 2010, and 9 March 2011.

The first CMPP produced close to 100 decisions, on measures concerning the reorganisation of central government services, simplification and modernisation of procedures, and improving government management.

The second CMPP undertook a new series of reforms covering subjects not yet addressed in the Monitoring Committee. In total, nearly 150 new decisions were taken in April 2008. In June 2008, the third CMPP rounded out the series of measures previously adopted, bringing the total to 374, which then came to constitute the basis for the 2009-2011 multi-year budget. The fourth CMPP, of 30 June 2010, heralded a new phase for the RGPP, with a first report on measures completed and adoption of a new series of measures for 2011-2013. The fifth CMPP, held on 9 March 2011, took stock of all the areas of work and adopted some 50 new measures, with 2 priorities: to simplify life for users and to ensure observance of the planned fiscal path by expanding the scope of the RGPP. The Minister of Budget, Public Accounts, the Civil Service and Reform of the State, the general rapporteur for the RGPP, reports regularly to the Council of Ministers on progress with each of the measures contained in the reform.

The Monitoring Committee

The RGPP Monitoring Committee, which had proposed the decisions to the President of the Republic and to the government in the first phase of the reform, continues to meet regularly with each minister to examine the state of progress, measure by measure, in implementing the RGPP.

Co-chaired by the Secretary-General of the *Élysée* (the Presidential Chief of Staff) and the Director of the Prime Minister's Office, the Monitoring Committee is composed of the ministries concerned by the agenda, the RGPP general rapporteur, and representatives of the inter-ministerial support team.

During the committee meetings, the main emphasis is on measures that are not moving forward as quickly as hoped. Decisions are taken as necessary to speed their implementation or to draw lessons from the problems encountered.

Box 2.2. **Governance of the RGPP** (*cont.*)

The various services

To ensure progress with the measures undertaken and to support ministries in their transformation efforts (planning, implementation and evaluation) the teams of the DGME, the Budget Directorate and the DGAFP are mobilised:

- **General Directorate for State Modernisation (DGME):** helping the line ministries prepare their modernisation strategy and implement their transformation projects, methodological support, tools and good practices, operational steering of the process, and overall coherence. See *www.modernisation.gouv.fr*.
- **Budget Directorate (DB):** reform proposals, economic impact of reforms, annual and multi-year budgeting, link with budget process. See *www.performance-publique.gouv.fr*.
- **General Directorate of Administration and the Civil Service (DGAFP):** issues that relate to the management of human resources.

Ministers: they are at the centre of the initiative and are responsible for guidance, implementation and the success of reforms under their jurisdiction.

RGPP steering committees: these have been created in each ministry. Reporting to the Secretary-General, they co-ordinate implementation of decisions, oversee the team of project leaders in charge of implementing RGPP decisions, and examine progress with each measure, on the basis of precise monitoring indicators. The real change involves monitoring by the ministries' management, each of which is fully involved in implementing these decisions.

Source: www.modernisation.gouv.fr, consulted in June 2011.

It appears that this process has allowed implementation of measures throughout the administration and has served as "an integrating device that offers an overview of sector reforms underway in the ministries" (Bezes, 2011). This process is new in France and has made it possible to overcome the following long-standing problems that affected the reform decision-making process:

- In France, central government has traditionally operated on a ministerial or even an individual directorate basis (where each directorate within a ministry has its own culture and commands its own loyalty and where the director of the directorate plays a particularly important role with, until recently, a relatively weak "centre" of management and reform within the ministries). In contrast to other countries, reform agendas covering management of the entire government administration are rare. Introduction of the LOLF (see Chapter 1) gave an inter-ministerial dimension to reforms, with systematic measurement of performance that must apply to all government programmes. The RGPP has built upon this approach to create, for the first time, an overall government reform objective.
- Because reform of the central government was deemed difficult to implement, it has traditionally been approached sector by sector, with the idea that reform would spread once it was accepted in one sector. This strategy has not worked very well in France, mainly because of the very strong occupational (*métiers*) identity of the civil service (see Chapter 5). The RGPP departs from this method and covers all ministries.

- Because of this occupational identity and the lack of a management agenda for government as a whole, proposed reforms have always been met by attempts on the part of ministries or directorates to negotiate exceptions, typically through bilateral bargaining between ministries and the President's and Prime Minister's Offices, respectively. Having the President and the Prime Minister both involved (see Box 2.2) has greatly facilitated the decision-making process and avoided individual dickering by ministers over exceptions.

Limitations to the RGPP decision-making process are inherent in the governance decisions which have allowed for prompt decisions on reforms for the entire central administration.

Consultation of stakeholders has been limited, particularly in the first phase of the RGPP. The audit teams have been tight-lipped about their work, and there are few ministries where it is possible, at any level below director or deputy director, to glean opinions from the teams concerned or to sound out the ideas of the personnel. The reforms have thus been seen as imposed from on high, without consultation, even when they were the subject of consultation in the past, prior to the RGPP. This lack of consultation during the RGPP has not facilitated the task of the directors in implementing and winning acceptance for the reforms, which they themselves have often seen as imposed. One might conclude in retrospect that the reduction in transaction costs in the decision-making process has been in part offset by the costs of negotiation, the identity problems of staff in the reform implementation phase, and the occasional failure to foresee difficulties in the organisational reforms resulting from the limitations of the consultation process.

A further consequence is that from the outset there was no process for creative reform proposals to emerge from the depths of the administration. A start has been made in the second phase of the RGPP to correct this oversight.

Pursuit of the reforms will require making managers accountable for their ongoing efforts at efficiency gains and at improving the quality of service. It will also require involving employees. This means that a top-down decision-making structure is probably no longer appropriate for the reforms as a whole.

Redistributing roles among the different stakeholders in the reform to make the RGPP more successful

Beyond the role of the President's Office and the Prime Minister's Office, the various stakeholders in the reform have seen their role change significantly during the course of the RGPP.

First of all, the Ministry of the Budget, which had seen its role in the reform of the state reinforced in the years following 2000, with assignment of responsibility for "reform of the state" and then of the civil service, is now cast as the principal player in the reform. In institutional terms, however, this new role has been distributed among several directorates:

- The Budget Directorate (DB), whose administrative clout in pushing for lower expenditure and optimisation of public services has been singularly reinforced by the inter-ministerial approach to the reform.

- The General Directorate for State Modernisation (DGME), created in 2005, which is now responsible for monitoring and overseeing the restructuring and modernisation measures.
- Lastly, the General Directorate of Administration and the Civil Service (DGAFP) has retained an identity separate from the other two directorates, somewhat removed from the RGPP process, although less so over time. As reforming the management of the civil service poses some very special issues for the reform agenda and figures in the *White Paper on the Future of the Civil Service* published in 2008, it is probably important for the human resource modernisation agenda to be kept separate from the initial modernisation, particularly since modernisation was linked to budget issues. The reforms emerging from debate on the *White Paper* had their own legitimacy, and the DGAFP enjoys particular credibility with public employees. The DGAFP has thus implemented the reforms from the *White Paper* and has monitored the other RGPP reforms.

This dual monitoring by the DB and the DGME holds particular promise for positive changes. Budgetary restrictions are still the prerogative of the DB, and the DGME has been given a dynamic role in the reform. From an institutional viewpoint, the issues have been separated, allowing the DGME to take on a relatively permanent identity, removed from budgetary issues.

Although the RGPP is sometimes called into question today, mainly because it is so closely linked to budget issues (see above), the separation of the directorate responsible for budgetary savings and the directorate for modernisation is a positive signal for the future of the reforms.

Apart from the LOLF and its original parliamentary initiative, past reform experiments were anchored in the Prime Minister's Office or left the initiative to different ministries. This institutional arrangement of the RGPP has involved establishing a two-headed decision-making process and anchoring responsibility for administering the reform in three directorates within the Ministry of the Budget, Public Accounts, the Civil Service and Reform of the State (which were then separated with the General Directorate of Administration and the Civil Service placed within the Ministry of the Civil Service as of 2011). The success of this institutional arrangement must be regarded as a key element for the success of the RGPP and as a pillar of support for future reforms.

Implementation is closely monitored but evaluation needs to be strengthened

While the decision-making process has involved the highest levels of government, monitoring and implementation of the reforms at the highest levels of government has been just as rigorous. This is the first time, it is important to note, that a large-scale reform has been subjected to a strict monitoring mechanism in France (Lafarge, 2011).

Implementation of all of a ministry's measures is examined roughly twice a year by the Monitoring Committee, co-chaired by the Secretary-General of the President's Office and the Director of the Prime Minister's Office.

All the measures decided in the CMPP for a given ministry are monitored by the RGPP Steering Committee, under the responsibility of the ministry's secretary-general, whose role has been reinforced by the RGPP, with the RGPP project heads and the representatives of the DGME. This is a very interesting development for the traditionally "directorate-based" functioning of the French central government. The secretaries-general, a relatively new function (dating from the RGPP or shortly before,

depending on the ministries) are responsible for horizontal management of the ministries (support function, implementation of the RGPP, etc., with no policy responsibilities) and measures for implementing the RGPP. Their creation, or reinforcement, allows for non-directorate-based management of ministries' human, financial and technical resources, something that was hitherto lacking (see Chapter 3). This trend is essential for the continuity of optimisation efforts in the future.

In addition to this steering committee, there are chiefs in place for each RGPP project or group of projects.

The state of progress with the measures is evaluated on the basis of precise objectives, with precise monitoring indicators, a scoreboard and regular milestones. Each measure is assigned a "traffic light" colour: green when the reform is progressing according to plan, orange when corrective steps are necessary, and red when the reform is significantly behind schedule. Status reports on all RGPP measures, summarising progress with the measures, are presented to the CMPP and published.

Yet monitoring implementation does not involve an evaluation phase as such. Although the Court of Accounts and Parliament are beginning to perform evaluations, the task is rather difficult, particularly when it comes to a full evaluation of structural reforms.

Six progress reports have been published by the Ministry of the Budget, Public Accounts and Reform of the State since December 2008, detailing the status of the measures enacted. The reports are not very revealing from the evaluation viewpoint, as they only show the progression of the reforms and not their assessment. Finally, an annex to the Budget Review Law was added to Law 2010-830 of 22 July 2010 containing the settlement of accounts and management report for the year 2009, and then for 2010. It addresses three themes: budgetary impact, benefits for central government employees, and operational consequences of implementing the reforms. Here again, evaluation based on this material is a complicated matter. It does not allow a detailed evaluation of the measures implemented, even if it represents progress in this direction.

Growing methodological support and monitoring of change

The great attention paid to monitoring the reform is unprecedented in French administrative history. The centralised structure of decision making by ministry and directorate as well as the hierarchical weight of decisions were traditionally viewed as sufficient for pushing through reforms. This was perhaps one of the weaknesses of the administrative system and one of the obstacles to change prior to implementation of the RGPP decisions.

The DGME has become the "secretariat for modernisation"

The DGME is structured for monitoring change and within just a few years it has become the key player in the reform of the state. The directorate monitors implementation of the RGPP. It has also made itself a favoured interlocutor of the ministries in reform of the state, without appearing as a guide or a directorate that takes decisions. It is seen as a supporting partner, training officers in how to manage change, advising on strategies and on the use of private consultants, and allowing the different entities of government to share experience with changes.

A fine balance has been achieved in the use of consulting firms

The consulting firms are a new and important player in public management reform in France. Although they were involved in the modernisation audits with the inspection units, their role is really to support the reforms. They have been particularly important in the reorganisations and subsequently in applying the methods of "lean management". The role of the consulting firms thus seems to be established to a point of balance and, to some extent, the ministries apparently hope to see a transfer of responsibilities for management of reforms and "lean management". Although the consulting firms may evoke mistrust in the French administrative context, they seem to have acquired relative legitimacy in the eyes of ministry managers.

It is clear that the DGME's role in managing consultants in the ministries has been very important. A quarter of the DGME's staff has professional experience in private consulting firms and this has facilitated the required cultural accommodation between the world of private consultants and the world of French administration.

Important efforts have been made to improve the capacity of ministries, but only recently

With respect to the ministries' capacity to carry out changes, the systematic introduction of secretaries-general in the ministries, responsible for the functioning of the administrations, is an essential but still tenuous development. The future of the optimisation reforms will also depend on the evolution of this function, which is relatively new in France even if some ministries had instituted it before the RGPP. These secretaries-general, in charge of modernising ministries and support functions, may be able to strengthen the horizontal nature of reforms in the ministries, to bring a more inter-ministerial approach to support functions, and in time to forge a link between the modernisation reforms and the LOLF. Their link with the LOLF programme managers (a task they sometimes perform themselves) should thus be rethought.

As for training managers in managing change, a start was made in the course of implementing the RGPP. The creation of the School for Modernisation of the State was decided in June 2010 and it was promptly established in partnership with the Institute for Public Management and Public Development (IGPDE). It offers employees concrete training with practical cases. It joins other training schools dealing with change: the LOLF school managed by the DB, recently renamed the "Public Management Campus", the human resource management school run by the DGAFP, as well as the apprenticeship cycle of the training schools, and of the *École Nationale d'Administration* (ENA) in particular. This proliferation of *ad hoc* training, while intended to fill an obvious gap with respect to managing change, will have to be sorted out in due course (see Chapter 5).

Generally speaking, however, in comparison with several other OECD countries, France falls short in institutionalising the responsibility of managers in implementing change (see Box 2.3), even though monitoring and training have been rigorous. This accountability for change is sometimes achieved in OECD countries through the establishment of a "management accountability framework", in which responsibility for implementing reforms is an integral part of management responsibilities.

Box 2.3. **The "Management Accountability Framework" in Canada**

Introduced in 2003, the Management Accountability Framework (MAF) is a performance management tool used throughout the federal government to support the management accountability of deputy ministers and improve management practices. It makes it possible to clarify management expectations and priorities, and it provides a comprehensive perspective on the state of management practices and challenges.

The MAF is the principal tool of supervision used by the Treasury Board Secretariat (TBS) of Canada to evaluate the management capacity and performance of all government departments. It has a direct impact on the performance appraisal and pay of deputy heads.

The following areas of management are evaluated in the MAF: values and ethics; managing for results; citizen-focused service; internal audit; evaluation; financial management and control; management of security; integrated risk management; people management; procurement; information management; information technology; asset management; and investment planning and management of projects.

The assessments are conducted annually by the Treasury Board Secretariat. They are based on evidence provided by the organisations assessed. Around 45 organisations are assessed each year. Each is evaluated according to criteria and expectations described under each of the areas of management mentioned above. The TBS experts prepare rigorous evaluations and they are discussed in draft form with the organisations before they are finalised. The summary of conclusions from the assessments is made public each year.

The following lessons were drawn from eight years of applying the MAF:

- Leadership at the top is critical to improve management practices.
- Recognise at the outset that managing with a focus on results requires a culture shift and that progress will take time and sustained focus.
- Overall performance pay of deputy ministers should be linked to management performance.
- Performance management assessments should be constructive and encourage continuous improvement, not a means to penalise organisations.
- The assessment tools need to be kept evergreen and leave room for good judgment and contextualisation.

The MAF is an excellent way of sharing best practices that will benefit all organisations.

Source: Treasury Board Secretariat of Canada, contribution to the study, October 2011.

2.4. Relaunching and expanding the reform of government to embrace other fields and other players

There are multiple issues facing future reforms of government in France. The deteriorated fiscal situation imposes requirements for budgetary savings that will have to be achieved over the long term. The RGPP has launched a culture of optimisation reforms that needs to be consolidated. Lastly, greater efforts must be made to modernise public services and promote innovation.

It is understandable that, since the reform process got under way, administrations have often tended to make the easiest choices in terms of cutting positions and reducing operating costs. The pursuit of optimisation efforts – in particular, cutting operating costs

(including the payroll) – is bound to demand more difficult choices. Moreover, the current economic crisis requires crucial choices about public expenditure and taxation, which must be based on a fiscal reality that is understood and accepted. Broadening the RGPP mandate to other fields is today an important issue.

Expanding the scope of the reform to achieve greater budgetary savings

The issue of fiscal sustainability is the central concern today. Yet optimisation reforms, while they respond to the ongoing need for sound management, will not adequately address the fiscal sustainability problem. The RGPP has contributed to fiscal efforts concerning transfer expenditures, but those efforts are still limited in comparison with what might be expected in terms of cutting transfer spending. Many other reforms to reduce programme spending were decided and implemented outside the RGPP process (reform of pensions and sickness benefits). For what were often institutional reasons, it was impossible and perhaps not even desirable to conduct all the reforms within the RGPP context. Yet this situation has created confusion as to the place of the RGPP in deficit reduction, the nature of the RGPP, and what can be expected from it. It would be well to draw a clearer distinction between the different types of reform in order to clarify expectations and outcomes.

In the broad fiscal balances, the search for savings can focus on the major sources of revenue and expenditure. It can also address expenditures that have recently shown increases attributable to social or economic structural trends or perhaps to faulty governance. In contrast to other countries, France has not in the past undertaken any large-scale cleanup of its spending and revenues, and it is likely that substantial savings can be achieved by tightening the screws on operating expenditures (including the payroll), particularly those outside the sphere of the central government. But the bulk of fiscal savings will have to come from a review of programme spending and tax expenditures.

Now that the broad organisational reforms of the central government are completed (although many have still to be consolidated), a particular effort must be made to rethink government action and its sources of revenues. Part of this work could involve a process similar to that of the RGPP, with audit reports on selected public policies, decisions supported both by the President and the Prime Minister, and progressive implementation.

France has not yet made any systematic effort to examine government missions

The RGPP is not basically designed for reviewing government "missions". All stakeholders will admit that there is no real consensus today for a reduction in the role of government, and hence in its fundamental missions. Nevertheless, it would be useful to examine the missions of the central government at a more "micro" level – some missions could be abandoned if they are in competition with an existing offer from the private sector or from other levels of government, if there is overlap, or if they can be performed by other players. It is not a matter of abandoning public service missions, then, but rather of rationalising their delivery mode. As the bulk of public service delivery costs are personnel-related, the fiscal gains from this rationalisation will not be immediately evident because staff will have to be re-assigned. On the other hand, they will become apparent over the longer term.

The review of government missions must not lead to an increase in the costs of the same services produced by the private sector. This is one of the dangers in government retraction, as the National Audit Office noted with respect to the 2004-2008 reforms in the United Kingdom (National Audit Office, 2007). In particular, there must be assurance that if the service already exists in the private sector, governments will have the capacity to maintain pressure over the long term on the price/quality of the service provided by private firms. As with government purchasing through the new Government Procurement Service (*Service des achats de l'État*), the pooling of experience and creation of an inter-ministerial capacity for outsourcing at the central level would have a positive impact in the context of reviewing government missions.

From this viewpoint, the fifth CMPP decided to evaluate outsourcing by ministers and to update the methodology in order to identify priority outsourcing and the conditions for success. This is an interesting first step that should be pursued by monitoring outsourcing operations over the long term, in particular for missions where the workforce has been reduced significantly.

High programme expenditures need to be reviewed

Gross expenditure savings from the RGPP over the period 2009-2013 are forecast to total EUR 6.9 billion, mainly in the following fields (the examples listed are not exhaustive): *i)* housing, with a revamping of the 1% housing mechanism and a refocusing of credits while limiting management costs, and pooling financial resources among social housing agencies or reviewing the conditions of eligibility for housing assistance; *ii)* labour, with a reduction in some of the exemptions from social contributions and harmonisation of the incentive aspects of employment assistance mechanisms (ASS, RSA); *iii)* transport, with the gearing of rail tariffs to infrastructure costs; *iv)* health, with reform of hospital charges paid by government medical assistance; *v)* agriculture, with rationalisation of grants to cease activity and early retirement provisions for farmers; *vi)* culture, with clarification of intervention modalities in favour of live performances; *vii)* the economy, with review and harmonisation of certain subsidies to businesses, particularly for innovation.

As noted earlier, other programme spending reforms were conducted outside the RGPP. To reduce the fiscal deficit further, other cuts will have to be considered in the future.

Social transfers in France have had, and continue to have, a moderating effect on the economic crisis. Conditional transfers have played an automatic stabilising role, and rather than reducing them, what is important is to review the procedures for triggering them, in all their forms. With respect to unconditional transfers, these primarily involve sickness and old-age benefits (half of transfers). Some will have to be cut while others could have their activation process redefined. Other transfers (essentially those related to family policy) can probably be better targeted.

It must be noted that any reform of programme spending will have to take into account tax expenditures, which are very significant in France.

Local government activity would benefit from rationalisation

As discussed in Chapter 1, there is probably still some significant room for manoeuvre in streamlining government action at the local level.

The REATE (*Réforme de l'administration territoriale*), the reform of central government at the local level, rationalised a portion of central government services at the

deconcentrated level (see Chapter 3). Other, sector-specific measures such as reform of the judicial charter, the military charter or creation of DGFiP, were also part of this streamlining of central government activity at the local level.

The REATE involves mergers, devolutions and the pooling of support functions for central government activities at the local level. But it does not attempt to reform administrative overlapping and the scattering of responsibilities with and among sub-national governments, which pose problems in terms of administrative efficiency.

This organisational reform of central government at the local level is today not commensurate with the challenges. Thinking about government action at the local level should take into account the problems both of decentralisation and of deconcentration.

In comparison to other OECD countries, the share of local government spending in total public spending in France is modest, but the number and variety of sub-national governments is among the highest, raising legitimate questions about the efficiency of the administrative system.[3] The overlapping of responsibilities, for example in employment and labour market re-entry, the absence of hierarchy among the different authorities, and the very small size of *communes* (municipalities) all create risks of duplication and problems for administrative performance. A clarification of responsibilities, a reduction in the number of administrative entities and a regrouping of services (without at the same time hiring new staff) would be helpful for introducing a policy of overall improvement in administrative efficiency, without which optimisation of government activity at the local level will be short-lived. Some interesting proposals have been made in recent years, such as cutting the number of municipalities and merging *départements* and regions. The reforms under way – the reform of the territorial councils, the amendment of the general competence clause, the reform of the inter-communal charter, and incentives to municipal mergers – go in the right direction but are probably not sufficient to address the current fiscal challenges or the apparently high cost represented by the institutional functioning of local government organisation.

Between 1983 and 2008, local government spending grew at a faster pace than GDP. While 60% of that increase related to transferred responsibilities, 40% – or nearly one percentage point of GDP – was unrelated to the transfer of competences (Ministry of the Interior, Overseas, Sub-National Governments and Immigration, 2010). Two-thirds of this increase in spending was municipal in origin (*communes* and *intercommunalités*). Sub-national governments saw a steady increase in their staffing levels of 3% or 4% a year between 1998 and 2008, or more than 38% since 1998 (Ministry of the Budget, Public Accounts, the Civil Service and Reform of the State, 2010). The Court of Accounts notes that the communes and *a fortiori* the inter-communal structures have significantly boosted their workforces since 1980, although they were little affected by the transfers of responsibility. That upward trend, however, has slowed in recent years (see Chapter 5).

A broadening of the RGPP mandate should be considered

The issue of expanding the mandate to other reforms of government management and policies is a complex one. On one hand, there is no question of putting all the reforms through the relatively cumbersome RGPP process. On the other hand, this process has produced a general review of administrative functions and has allowed decisions to be taken and reforms to be implemented promptly. Rather than merging the approaches, at the risk of excessive centralisation, it would be wiser to follow different procedures, in accordance with the following three principles:

- first, by clarifying the objectives for functional optimisation *vis-à-vis* those for cutting programme spending;
- next, by encouraging a bottom-up review of programme spending through a process similar to the expenditure reviews conducted in other OECD countries (the RGPP audit reports represent a start at this exercise);
- lastly, by continuing to optimise operations – improving services and reducing costs – but favouring a continuous approach.

The exercises can be conducted within the revised RGPP process, or through other reform processes.

The need to create conditions for continuous optimisation of government functioning

Along with this expansion of the reform, it is also important for the RGPP to build on its success with optimisation, and to create conditions for continuous improvement of public services. This will involve moving beyond the "project" approach that the RGPP has used in the reform. Continuous improvement is something that is essential in all OECD member country governments, whatever their fiscal situation. This is an issue that goes beyond making cuts and reductions relating to the current context, although of course continuous improvement will also help to consolidate the public finances.

It may be said that with the effort to reduce operating expenses by 10% in the three-year budget 2011-2013, the government has already begun to move in this direction, and the RGPP has succeeded in launching this process of continuous reform. For this movement to be sustainable over the long term, however, a number of changes in the structural conditions of the reform would be helpful.

Generalise budgetary standards relating to operating costs

The RGPP represents a first attempt to adopt fiscal rules requiring administrations to reduce their operating expenses, through the "1 in 2" replacement rule and the requirement to cut operating costs by 10% (excluding payroll costs) between 2011 and 2013. Four years after the reform was launched, it seems that considerable efforts are still needed, recognising that the reduction in staffing levels – 6.4% for the central government (against 2007 employment ceilings) – remains limited in comparison with some other OECD countries (and particularly for a country that had never attempted large reductions in the past). On the other hand, once the current adjustment is over the issue will be to institute continuous optimisation in operating expenses.

To this end, some countries have established "automatic productivity cuts" (see Box 2.4) in most areas of government. A significant portion (but not all) of these productivity cuts involves, *de facto*, personnel spending. Such experiments have been positive, and it would be interesting to try them out in a country like France with a large and, by its nature, traditionally inflexible central government. Automatic productivity cuts would represent a natural continuation of the pressure imposed for non-replacement of half of retiring civil servants. They would, however, leave the ministries with more room for discretion in achieving optimisation savings while de-linking the imperative to find fiscal savings in operations from the imperative of modernisation. This should be possible, provided that very strict fiscal monitoring is maintained to ensure the expected outcomes are achieved.

Box 2.4. **Automatic productivity cuts in selected OECD countries**

In the 1980s and 1990s, some countries introduced "automatic productivity cuts", the idea being to offset the lack of incentives for productivity gains of the kind that exist for marketable goods because of competition.

Automatic productivity cuts are applied across-the-board to operating expenses in the broad sense, including personnel costs. The administrative level at which the cut is imposed varies from country to country: it may apply to a ministry as a whole, with the ministry distributing the pain across various branches and operators, or it may apply to specific entities. It should also be possible to apply such cuts to central government missions, in order to make a link to the missions in the LOLF.

Automatic productivity cuts are set at between 1% and 2% of operating expenses. Some countries have tried to estimate their productivity increase in order to set a cut rate that departments must observe, but this process has serious disadvantages, opening the way to lengthy negotiations and adding to ministries' difficulties with budgetary predictability. The rate is now set politically in most countries. Productivity gains differ from sector to sector, and countries have overcome this problem by letting ministers decide where the most important productivity gains lie within their respective sectors. It is also possible to differentiate between broad sectors in applying automatic cuts, as a function of potential productivity gains.

The way the cuts are imposed varies from one country to the next: some are imposed on the coming year's budget, others on multi-year targets, and still others on the future fiscal framework.

A variety of approaches

In Australia, the cuts today are running at 1.25% (2% in 2008). They are applied to authorised spending from the previous year, topped up for inflation. Only a few agencies are exempt.

In Denmark, the cuts are set at 2% and are established each year for the following four years within the multi-year budget framework. Negotiations over new ministerial tasks take place within this framework. The automatic productivity cuts did not apply to certain multi-year budget agreements (80% of operating costs were exempt), but the default position was the automatic productivity cut, and this had a clear influence on the contents of the multi-year agreements. The government, however, has just decided to apply the cuts to all multi-year agreements. The gains from these cuts are used to finance new political priorities.

In Finland, there is no "automatic productivity cut" as such, but recurrent cuts are negotiated on the basis of estimated productivity gains, and this is almost the same thing. The goal is to reduce staffing levels, with half of the gains reallocated to other policy objectives and the remainder left to the ministry as a productivity incentive. The targets are negotiated on the basis of estimated productivity gains. The savings amounted to some EUR 20 million in 2007 and to EUR 150 million in 2011 (non-cumulative, on an expenditure budget of around EUR 50 billion), to be reallocated by central government, plus similar amounts which will stay within the ministries.

New Zealand has taken a different approach: instead of calculating productivity cuts, the government establishes its budget on a fixed nominal baseline. If inflation is 2.5%, the operating expenditure budget in real terms is cut by 2.5%. There is a mechanism for baseline review, whereby the outputs are costed and the baseline reset accordingly. However, this process is rarely followed because it is time-consuming and costly.

Sweden, again, has a different approach, using a productivity index that differs for each type of input in the organisations (the mix of labour and other inputs). The payroll index does not fully reflect increases following salary negotiations – it is decreased by a moving average of the last ten years of productivity gains in the private sector – as a way of keeping "productivity pressure" on agencies. Agencies that finance themselves from their own revenues are not subject to the same productivity pressures.

Source: OECD (2010), *Public Administration after "New Public Management"*, Value for Money and Government, OECD Publishing, Paris, pg. 81-86, *http://dx.doi.org/10.1787/9789264086449-en*.

As with workforce reductions, automatic productivity cuts can be targeted more readily at back-office than at front-office functions. On the other hand, certain functions in sectors where productivity gains are limited and where the numbers of personnel dealing with the public cannot be compressed, such as national education or the national police, could be exempted from these automatic productivity cuts (protecting their field staffing levels, in particular), as these sectors relate above all to reforms to redefine the scope of their missions. Those same sectors, although they may have been poorly managed in the past, may nevertheless have room for improving productivity. They could also see their missions narrowed. Other sectors that have benefited more from technological progress or that in the past have had some of their responsibilities transferred to sub-national governments could be priority candidates for productivity cuts. In any case, a fine-tuned policy of sectoral differentiation should be introduced to ensure a positive outcome. It could be based perhaps on international benchmarking of results against the means employed in each sector.

The role of the Ministry of the Budget could be reinforced for setting the budget restrictions agenda, in a manner separate from the modernisation issue. Modernisation and fiscal savings are both indispensable, but they are not necessarily linked either in terms of justification or of actions.

The need to modulate targets for operating expense cuts

Experience in OECD countries shows clearly that reduction targets for operating expenses (personnel expenses above all) will be short-lived unless these reforms are accompanied by modulations and restructurings. As soon as economic growth will take off again, expenditures will be rising faster than before, whether because of higher salaries or staff increases. In France, although the staff reduction target applied to government across the boards there has been a degree of modulation in its application (see Chapter 5).

The government also needs to take further advantage of the high retirement rate before that opportunity is closed off by the demographic shift. That is why it is important at the same time to continue to tighten the screws on staffing levels, in order to free up some manoeuvring room not only to face the fiscal crisis but also to reallocate staff in light of priorities. More generally, the next stage in the application of the "1 in 2" rule is to define the guiding principles, such as stricter objectives in the back-office functions, including support functions, and differentiated targets in light of the results of detailed and strategic analysis of needs in front-office functions (see Chapter 5). Over the longer term, it is to be hoped that the flexibility induced by further reforms to human resource management and by making ministry directors more accountable for people management will allow for ongoing optimisation of labour and avoid resorting to general mechanisms such as the "1 in 2" rule.

The importance of creating conditions for permanent adjustment

It is important that the reforms creating structural conditions for permanent adjustment and for streamlining government should continue. In particular, the reform of human resource management (see Chapter 5), which today is a significant brake on reforms, would allow for greater adaptability of human resources.

Although France has significantly bolstered its capacity to manage reforms, by instituting or reinforcing the function of the secretaries-general in charge of ministerial operations, much could still be done to strengthen their teams and train them in managing

change. The recruitment and training of managers for managing change remains a significant challenge. Reforms are under way and should be continued over the longer term, supplemented by a more general reform of senior management (see Chapter 5).

Lastly, there is a need to rethink the accountability of staff for the optimisation reforms. The abandonment of the "top-down" RGPP approach requires progressive delegation to ministries identified as having a real capacity for reform, but it also means making them more accountable. Establishment of a management accountability framework with optimisation objectives would be a step in this direction (see Section 2.3).

The need to review the reform processes while differentiating among reforms

In light of the objectives of the reforms and the fields of application (operations/programmes), the modes of governance could evolve in different directions while remaining under a single governance umbrella.

Progressive transition towards a more delegated decision-making model for continuous optimisation

If the optimisation reforms are to be implemented continuously and properly, their mode of governance will have to evolve. Experience in other OECD countries shows that government managers must be made responsible for continuous reforms. In France, this is a special challenge, as the "directorate-based" culture makes continuous optimisation reforms more difficult. This is one reason why the RGPP instituted a two-headed and top-down process.

The "top-down" decision-making model, together with very rigorous monitoring, was fundamental to the initial implementation of the reforms. Given the scope of the changes demanded, the directorate-based operation of the French government, and the problems in implementing reforms that require organic changes, maintaining central political control over decisions and monitoring seemed indispensable. Yet it had the consequence of stripping ministry management of its responsibilities. While the concern today is to ensure continuity of the reform and to give ministries "ownership" of the reform process, the question now is how to achieve a transition towards greater accountability. A beginning of a transition towards a more bottom-up process began in the second phase of the RGPP, with greater involvement by ministries in proposing reforms, but it could be reinforced.

To ensure implementation of the reforms, the strict monitoring mode still seems essential, at least for the medium term, in order to guarantee the sustainability of the budgets voted. On the other hand, it might be useful and perhaps necessary to begin work on a transition tool that would measure ministries' capacity to design and implement their own reforms. The criteria for measuring that capacity should be developed. Approaches of this kind, allowing the capacity of ministries to be measured, have been implemented in some OECD countries, but with different objectives: for example, access to agency status in the agency spin-off process in the Netherlands, or more recently in the "Capability Review" in the United Kingdom. Not all ministries, and not all directorates within the ministries, will be able to make this transition at the same time.

Tightly controlled delegation

In this shift towards greater ministerial accountability, the reform secretariat (see below) could have an important role in defining certain reform targets, making suggestions, sharing reform experience among ministries, implementing common reforms (especially in the shared support functions) and monitoring reforms. But the primary initiative for reforms would be left to the ministries, giving them more leeway in assessing the potential sources for budgetary savings.

This accountability should be accompanied by general, centrally set reform targets in order to account for the implementation of reforms to achieve these targets. As in Canada (see Box 2.3), management accountability frameworks (MAF) could be introduced in order to hold senior management accountable for its handling and implementation of the reforms. The MAF specifies performance indicators as well as the reforms, including management reforms. It describes the central government's broad management priorities, particularly in terms of quality targets, e-government and user involvement, and the reforms implemented to achieve them. This document is used to evaluate managers and also to give an overview of the meaning of the reforms, both for the ministry and for the government as a whole.

The role of the Centre may evolve in light of the reforms conducted, while instituting more bottom-up processes

Instituting a process of continuous reform in a country with relatively vertical governance will require ongoing efforts to strengthen the "Centre", a process launched by the RGPP, while instituting a bottom-up process and making the ministries more accountable for their reform efforts.

Strengthening the Centre means considering its role and its positioning in the French administrative apparatus. As in other OECD countries, there is no ideal solution. It is important to keep a proper distance from politics, one that allows for political input while respecting government managers' room for manoeuvre. That proper distance should also allow government managers to authorise continuous change without having to resort to politics to take all the decisions, when they are of a managerial kind.

The reforms have been made possible by the close relationship between the General Directorate for State Modernisation, the General Directorate of Administration and the Civil Service, and the Budget Directorate, all of them located within the same ministry (until 2010, when the Ministry of the Civil Service was spun off from the Ministry of Budget, Public Accounts and Reform of the State to become a separate ministry). These three directorates have been pulling together since 2007 in the spirit of modernisation of the government. This has enabled the modernisation objectives to be linked with the fiscal objective, and seems to have created an imperative for modernisation as the heart of the successful initial launch of the RGPP, while leaving the Prime Minister the possibility of making the necessary trade-offs among reforms.

The RGPP implemented a process adapted to the Ministry of Budget, Public Accounts and Reform of the State, with decision making and supervision at the highest level of government. This process can be maintained for the "big" decisions, namely:

- the main targets for public management reform, in terms of modernising services, e-government, citizen involvement, quality;

- the main decisions on transfer expenditures, with perhaps at first a more micro monitoring to launch the process of change, as for the rest of the RGPP;
- for overall supervision of the ongoing optimisation reforms, instituting a process that is no longer a "project" but a more conventional accountability process.

In this framework, the DB/DGME/DGAFP trio is still the reform secretariat for the President and the Prime Minister.

For decisions concerning the continuous optimisation reforms, the situation is somewhat different, as the point is to make the ministries accountable. While the role of the DB in the targeting of objectives could be reinforced by instituting automatic productivity cuts, for example, the DGME would become for the ministries a true reform secretariat, making it possible to share experience with reforms among ministries, to encourage mutual learning, to propose initiatives for managing change, to inventory the reforms, classify them, and allow monitoring by the highest level of the government. But the responsibility for proposals and choices for optimisation reforms can now be delegated gradually to the management heads, probably with the decision-making process involving the secretaries-general and the directors of the ministerial directorates, as well as the *préfets* at the sub-national level. It has already been noted that this process of transferring responsibilities can only be undertaken gradually, differentiating among ministries in light of their capacities for implementing these reforms.

Strengthening the consistency between the LOLF tools and the RGPP reform process

The RGPP is based on multi-year budgeting, which was introduced along with the other RGPP reforms. Multi-year budgeting has reinforced the effectiveness of the RGPP. The two exercises have evolved in tandem, allowing a link for the RGPP to the budgetary procedure. Nevertheless, the objectives of the LOLF and the indicators for the RGPP are different by nature: the first target public policy objectives while the second are indicators of the reforms implemented. The two types of indicator are not integrated and therefore operate in parallel.

Whatever shape the future reforms may take – strengthening optimisation, expanding the reform to cover missions of the government and programme spending – articulation with the missions defined in the LOLF should be reinforced. Without creating new, cumbersome monitoring machinery, it would be useful to organise linkages and conduct monitoring of the RGPP through the LOLF indicators. This would bring greater coherence to policy reform efforts as opposed to efforts to reform public management, and would give more "meaning" to the reforms.

Experience in other OECD countries shows that the optimisation process can be made more sustainable through budgetary debate and establishing a link between quality and service objectives and organisational changes. Such measures will also make for greater government consistency and more accountability on the part of the various players. Thought could be given to organising the links between the LOLF indicators and the RGPP objectives, while recognising their inherent difference. A flexible initial approach might be, for example, to create dialogue within the ministries between the LOLF programme managers and the secretaries-general.

Promoting a culture of action-evaluation

One of the structural weaknesses of the RGPP is that it does not provide for a reform evaluation process as such.

While audits and evaluations are highly developed in France, they are relatively disconnected from reform actions. Yet a significant proportion of officials who hold the highest senior management positions in the civil service in France came originally from the "inspection" corps, the responsibilities of which include audits and evaluations. There is in place, then, an administrative elite, the members of which will often hold management positions during the course of their career.

It would be well to build on this foundation of human resources in order to promote a culture of public management in which evaluations and audits are always followed by action, and actions are always followed by audits and evaluations. The RGPP provides for strengthening internal audit (see Chapter 3) and evaluation in the French government, and making them part of the decision-making process. This is a very encouraging trend. Other processes could be instituted for the RGPP reforms as a whole, so as to establish a cycle of "implementation of reforms – evaluations – new reforms" and to participate as well in the culture of permanently seeking a greater optimisation of services.

Communicating about reforms and consulting employees

The criticism often levelled against the RGPP, that it is a reform imposed from on high, may have its origins, in part, in a lack of communication about the "meaning" of the reform. The reasons that led to the "1 in 2" decision may have been misunderstood, while efforts to improve services have not been very visible.

While consultations and discussions with government employees were naturally limited at the outset in light of the nature of the decisions and the speed with which they were taken, it would have been useful to compensate for this circumstance through a communication strategy that would give "meaning" to the reforms in the eyes of employees. The reforms have, in fact, often been understood as a way of reducing the number of staff. Nor was there an attempt to make up for this limited initial communication when it came to implementing RGPP, particularly RGPP 2, by undertaking systematic consultation with employees. The very broad consultations that were held during drafting of the *White Paper on the Future of the Civil Service*, which was done outside the RGPP process, contributed to its popularity and the consensus that emerged on HRM reforms.

In the future, consultation and communication with employees should be deemed essential for the sustainability of the reform efforts.

The conditions for implementing RGPP-like procedures at the sub-national level

Although the RGPP is a central government initiative, and the sub-national authorities operate under the principle of "free administration", dissemination of the methodology to those levels of government should be encouraged. The reforms are particularly important because sub-national governments today face a fiscal situation that seems to be deteriorating. It is legitimate to pose questions about the incentives to improve local governance and the capacity of sub-national governments to modernise.

As in other OECD countries, some sub-national governments are at the leading edge in employing innovative governance methods. Others are lagging behind or lack the capacities (human, budgetary, etc.) to adopt such innovative practices.

The central government, then, could play a proactive role by encouraging the sub-national governments to modernise and to take systematic efficiency initiatives for delivering the same services at lower cost. Central government could also facilitate these initiatives by sharing experience from the RGPP and creating common services with sub-national governments.

As with its own spending, the central government could exert pressure on sub-national governments' spending in order to encourage management reforms and fiscal savings. The head of state, in this connection, has announced for 2011-2013 a reduction in central government financial assistance to sub-national governments (apart from VAT compensation), stepped-up equalisation payments to cover rising social outlays in rural *départements*, a moratorium on regulatory rules affecting sub-national governments, and introduction of tools for comparing and standardising expenditures and costs across sub-national governments. Also mooted, but not yet implemented, is the adjustment – against good management criteria – of grants to encourage the sub-national governments to reduce their spending in the same proportion as the central government.

Although some OECD countries are making more drastic cuts to local government funding (see Table 2.1), it is not clear that France needs to follow the same path. Drastic cuts are not necessarily a sustainable long-term solution. It would seem more useful to begin to exert budgetary pressure. Thought could be given to making automatic productivity cuts at least for a portion of local government budgets, either through a reduction in the general operating grant or through the tax system. If necessary, the same principles of functional and sectoral differentiation in these automatic productivity cuts would apply to sub-national governments' operating expenses.

Table 2.1. **Reduced central government financial support to sub-national government, 2011-2013**

Country	Main measure adopted at the sub-national level
Germany	The federal government adopted a fiscal rule in March 2009 that will limit the cyclically adjusted budget deficit of the federal government to a maximum of 0.35% of GDP and require balanced cyclically adjusted budgets for the *Länder* in 2020. A longer transitional period has been agreed for the *Länder*, since some are experiencing serious consolidation problems. No borrowing limits have been specified for municipalities and social security funds. To comply with the new fiscal rule, the German government has to reduce the structural deficit at the federal level by about 0.3% of GDP each year until 2016.
Greece	The government is planning a pay freeze for all public sector workers, at all levels of government.
Italy	Italy adopted a EUR 25 billion austerity package for 2011-2012, with a cut of EUR 8.5 billion in regions' budgets over the next two years.
Korea	Significant spending reductions are planned for the environment (5.3%), general public administration (4.1%) and education (3.6%).
Mexico	Federal revenue-sharing, the main federal revenue available to sub-national entities, decreased by more than 14% in 2009.
Portugal	EUR 100 million reduction in transfer payments from central to local government.
Spain	EUR 1.2 billion cut in local and regional governments. EUR 6 billion cut in public sector investment.
United Kingdom	The United Kingdom adopted a severe austerity plan, with GBP 780 million in cuts to the Department for Communities and Local Government and a GBP 1.2 billion reduction in local authority grants.
United States	Many state governments are likely to pull back on transfers to municipalities.

Source: OECD (2011), *OECD Regional Outlook 2011: Building Resilient Regions for Stronger Economies*, OECD Publishing, Paris, *http://dx.doi.org/ 10.1787/9789264120983-en*.

It would be good to replicate the pooling of certain inter-ministerial services such as the central Government Procurement Service (*Service des achats de l'État*) or those of France Domaine for groups of sub-national authorities. As well, statutory reform of the management of the civil service (in particular all the measures regarding mobility and integration and secondment rights) should allow the civil service to operate more smoothly at the sub-national level (by effect of statute). Lastly, it is to be hoped that the sub-national governments will draw the appropriate lessons from the RGPP and place the emphasis on optimisation reforms, adapting the methodology and communications to their local circumstances. The central government might be able to facilitate these reforms at the sub-national level, for example by making the expertise of the DGME available to sub-national governments. Indeed there seems already to be a demand for such a move.

2.5. Summary of recommendations

The RGPP has succeeded in bringing change to France, by stressing the optimisation of services and the search for operating cost savings, creating the conditions for more streamlined administration, and opening the way to modernisation by taking into account the needs of citizens and users. It has focused on a series of reforms that corresponded to the room for manoeuvre identified in Chapter 1. This change was achieved by taking advantage of a helpful economic and political context, instituting an appropriate decision-making and follow-up process. The challenge for the French government now is to take advantage of this first experience with multiple optimisation projects in order to create an ongoing process for boosting efficiency and effectiveness. Next, in order to address the deteriorated economic and fiscal situation, while the reform process will naturally have to be extended to programme spending (including the hospitals and the social security funds), local administrative organisation, and the missions of the central government, the question is how best to organise this by drawing lessons from the institutions and the governance of the RGPP.

Strengthening continuous optimisation

Continue to exert pressure on operating costs but in a more continuous and more differentiated manner

As in all OECD member country governments, but especially in a country where budgetary spending is so important, it is essential to force or encourage ongoing reductions in operating costs, using appropriate institutional mechanisms. The RGPP has done this for the first time and, while it is impossible to quantify the remaining room for significant reductions, experience in OECD countries shows that, as a first attempt at lowering operating costs, the reduction that has taken place in France is still relatively modest. As a minimum, a decision is needed to pursue reductions in operating costs (including the payroll) with, for example, the implementation of "automatic productivity cuts".

The reductions demanded were hitherto embodied essentially in downsizing the government workforce, followed by a 10% cut over three years (2010-2013) in other operating costs. Today, these cuts can be more firmly backed up by principles of functional allocation. There should be relatively more ambitious targets for the back-office functions and for those front-office functions that benefit from natural productivity gains, and in functions that have undergone significant optimisation reforms

(such as support functions). In other functions, especially those front-office functions where the number of employees interfacing with users or delivering public services is not susceptible to obvious long-term productivity gains, it will be important to determine where surplus staffing exists, given the level of service expected, and to communicate effectively on this matter.

Continue the shift towards more "capillary" gains in efficiency and effectiveness

Now that most of the broad reorganisations of directorates and services at the centre of the RGPP have been decided and are being implemented, the optimisation reforms will be pursued in a more "capillary" manner, for example through application of "lean management" or the monitoring of user satisfaction that will enable permanent adjustments in the organisation of services and in the goods and services supplied. This represents a change in the nature of optimisation, one that is necessary today and that will allow, but also require, that the different directorates and services internalise the process.

Continue to reinforce the structural conditions for permanent adjustment

Permanent adjustment could be greatly facilitated by reforming human resource management which today, in France more than in other OECD countries, is a factor holding back efforts to streamline government (see Chapter 5). With this greater streamlining it should also be possible to avoid resorting to the workforce reduction mechanisms of the RGPP by allowing ongoing adjustment by managers, geared as closely as possible to needs.

See to the comprehensive monitoring of operating costs and service delivery, and reduce the costs of the reform

Fiscal outcomes, as well as the credibility of the optimisation effort, demand more generalised monitoring of operating and service delivery costs. Reducing staff and operating costs should not generate higher costs through outsourcings to the private sector, which might be poorly supervised and may sometimes even be costlier. Without creating a cumbersome monitoring mechanism, particular attention should be paid to the trend of costs for producing goods and services financed by the government but supplied by the private sector, either directly to citizens or to the government.

At the same time, the economic and fiscal situation demands strategic use of the return to employees of a portion of the gains from the "1 in 2" rule (see Chapter 5). In the future, in order to avoid systematic financial returns to employees, another form of returning gains to the ministries could be envisaged, such as reinvesting a portion of the savings in service improvement measures.

Extend the reform of central government to its missions and its programme spending

Beyond the optimisation process, the economic and fiscal situation demands that the reform of the government be extended to its missions. This will probably require micro-adjustments rather than the wholesale abandonment of major missions. Quantifying and monitoring outsourcing over the long term are also important in this regard. In addition, although expenditure reductions have already been decided and often implemented, both through the RGPP process and, in more significant measure, after

budgetary level outside the RGPP process, a broader reform should focus increasingly on transfer expenditures, particularly their activation process, and on tax expenditures.

Make changes in the governance of reform

Reorient the role of the "Centre" of the reform

The "Centre" of the reform, constituted at the top by the offices of the Prime Minister and the President of the Republic, and at the ministerial directorate level by the trio of the DB, the DGME and the DGAFP (although this was spun off to a recently created Ministry of the Civil Service) is a strong core and an asset for future reforms. The fact that the three directorates are closely linked while maintaining separate identities has proven a suitable and malleable administrative solution for the future.

The issue today is to reorient the functioning and the role of the Centre. The "classic" RGPP process should be kept in place for determining the broad targets of government-wide reforms, for making choices and monitoring further work on transfer expenditures, and for overall supervision of the optimisation process.

For making decisions and implementing ongoing optimisation, the DB could continue to determine and monitor standardised targets for operating cost reductions. The DGME would consolidate its role as the modernisation secretariat, to encourage learning from the reforms, to support the change, and to inventory the reforms, while promoting emulation among different ministries and agencies. The two directorates would also take on the role of deciding how to make the ministries progressively more accountable for their reform efforts, in light of their capacities.

Nevertheless, when it comes to reviewing transfer expenditures, the RGPP process needs to be adjusted. The political clout and the cross-cutting nature of the RGPP process remain essential, but the RGPP should rely more heavily on the LOLF indicators, while encouraging a maximum of transversality (the role of the Centre remains fundamental). Implementation should be capable of monitoring at the ministerial level. Specific political communication, consultation of citizens and beneficiaries, and the involvement of Parliament will also be necessary. This would make the process more like the conventional expenditure reviews conducted in some other OECD countries.

Separate the different aspects of central government reform

In order to avoid confusion about fiscal objectives and the "meaning" of the reforms, it would be useful to separate the establishment of objectives, the monitoring, and probably the governance of the different types of reform: on one hand, there would be the optimisation reforms to the functioning of government (modernisation and cost reduction) with a rethinking of government missions and perhaps their reorganisation or reduction, and on the other hand, reforms concerning programme spending.

Enhance the accountability of government managers for achieving permanent optimisation

The "top-down" process of decision making and monitoring, which was further strengthened during the second phase of the RGPP, has been fundamental for initial implementation of the reforms. Yet it is not the best process for allowing staff to internalise the optimisation imperative. This process is not always adapted to the more capillary reforms that future optimisation will require.

France today has no institutions or processes of governance that would enable this internalisation. Management accountability frameworks should be introduced for managers. At the same time, thought could be given to strengthening the teams of the ministerial secretaries-general, creation of which have been an important step for the future of reform in France.

Strengthen the link to the LOLF

The RGPP has been closely linked to the budgetary process, thanks to the three-year budget. Because the LOLF has long-term policy objectives, and the RGPP for the most part initiates and monitors concrete reform measures for operational optimisation, the links between the LOLF and the RGPP have to date been limited. Thought should be given to organising the links between the two processes more effectively. This would create conditions for greater synergy between the LOLF's long-term efforts to improve resource allocation and policy performance and the RGPP's optimisation reforms. Without introducing a cumbersome co-ordination procedure, a start could be made by establishing more systematic links between the secretaries-general of the ministries and the LOLF programme managers. This will be even more important if the RGPP process is expanded to examine the missions of the central government and transfer expenses.

Strengthen communication about the "meaning" of the reforms

The RGPP's "top-down" process, the communication focused on operating costs (and in particular the "costs" represented by public employees), the insistence on the generalised enforcement of the non-replacement rule (although its application has been much less universal), the scant involvement of staff in the choice of reforms, and the lack of efforts to give "meaning" to the reforms could compromise the sustainability of the reform efforts.

In order not only to continue the reform but to internalise it and expand it to the missions and programme expenditures of central government, and to the structures and expenditures of sub-national governments, it is essential to involve staff more closely in the decision-making process, as has been done for example with the human resource management reforms, thanks to the participatory process involving the *White Paper on the Future of the Civil Service*. Greater attention also needs to be paid to the meaning of the reforms, as was done in the defence sector, once again through the *White Paper on National Defence*.

Improve the links between reforms and evaluations

A great effort has been made to monitor implementation of the reforms and to ensure the transparency of information concerning them. The fiscal gains from the RGPP reforms are not easy to monitor in the short term and will have to be tracked over the longer term. As to evaluation of the reforms, this has not yet been integrated into the RGPP process.

Without creating a cumbersome, systematic evaluation process, thought should be given to ways for linking future reform decisions more closely to the necessary evaluations of reforms already underway or completed.

Extend the reforms to the hospitals and the social security funds

While being sure to retain the role of the social partners, the RGPP process could be maintained and opened to the hospitals and the social security funds. Reforms in these sectors are crucial for the future of the public finances. If the governance of the reform will necessarily be different, the main principles – bottom-up review through relatively quick audits, an inter-ministerial decision-making process with involvement at the highest levels of government – can be maintained. To keep the reforms transparent and understandable, it would probably be desirable to quantify and present them together with all the RGPP measures concerning programme spending.

Create conditions for sub-national authorities to adopt the RGPP process and broaden the reform of government to include the organisation of government services at the local level

Encourage adoption of the RGPP optimisation process by the sub-national governments

Given the increases in staffing levels among the sub-national governments, it would be potentially very useful for them to adopt the RGPP optimisation process. Central government could take a proactive stance by exerting pressure on local government spending, for example by introducing automatic productivity cuts to a portion of the general operating grant, as has been suggested at the central government level. Next, central government could encourage broader distribution of the fruits of the RGPP, by making available to sub-national governments the expertise of the DGME or by helping them, for example, to dematerialise their operations, to merge their units, or to pool their support functions.

The organisation of government activity at the local level can be reformed

The RGPP is essentially a reform of central government and the deconcentrated organisation of the central government at the local level. To date, there has been little thought given to the organisation of government activity at the local level, to take into account both decentralisation and deconcentration. There are fiscal gains to be drawn from rationalising administrative structures – central and sub-national governments) at the local level, of which there are too many, with too much overlapping of responsibilities. In addition to economising on operations, a reform in this area should make it possible to streamline the implementation of policies and make them more effective.

Notes

1. Source: interviews with the DGME.
2. This was the case, however, for the reviews of national education, research and higher education.
3. Supplementary document to the OECD contribution on the work of the Attali Commission 1, 2010.

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Chapter 3

The RGPP and the organisation of central government

This chapter looks first at the organisation of the central government, analysing the distribution of employment, in particular between administrative employment and employment in service delivery, and between employment at the central level of central government and employment at the deconcentrated level. The second part examines the efforts made during the RGPP to streamline the organisation of the central government, first by merging executive units and then by pooling support functions. The third part examines progress under the RGPP in creating operating standards for central government. Lastly, the specific issue of the governance of state operators is examined in the fourth part.

Introduction

In advanced OECD countries, the organisation of central government is constantly being changed to adjust to new programmes and priorities and look for the most efficient structure to adjust services. Reorganisations are also often necessary in times of difficult budget constraints to make the maximum savings on structure. There are different ways of adjusting central governments like mergers or splits of organisations, delegation of authority to local governments, outsourcing to the private sector (even if not all of these reforms are automatic sources of budgetary savings, and they can be pursued for other reasons).

This chapter will focus on organisational reforms carried out under the RGPP as they relate to organisational changes introduced in other OECD countries over the last two decades. It will place the emphasis on the three areas which have been the object of RGPP reforms, and most importantly, the mergers of administrative and executive units, the sharing of support services, and the management of the so-called "state operators", all core areas of RGPP reforms. It will also look at ways of standardising operational means (outside of budget and HRM, covered in Chapters 2 and 5). The first part provides some comparative numbers on the size of administrative employment in France and in other OECD countries for which data are available – based on a methodology created by the OECD entitled "Snapshot of the public administration".[1]

3.1. Defining features of central government organisation in France: a medium level of "administrative employment",[2] and many central government employees at the local level

A moderate administrative employment

The size of administrative employment provides a snapshot of employment outside the delivery of services to citizens/users.[3] Table 3.1 presents central general government administrative employment per 1 000 inhabitants. Administrative employment is sub-divided into the four types of government activities: public policy development; administrative policy execution; administrative supervision and regulation; and support services.[4]

Table 3.1 shows that administrative employment in the French central government is relatively moderate compared to the other countries for which data are available. This finding takes into account the differences in the respective sizes of central and sub-national governments in the countries for which data are available.[5]

Again, the distribution of central government employment across types of activities in France does not differ significantly from the usual pattern when it comes to support functions, the size of which services is about average (see Table 3.1 and Annex J, Table J.1).

Table 3.1. **Central government administrative employment, as a proportion of the population, 2009**

FTE per 1 000 residents

	Australia	Austria	Canada	Denmark	Finland	France	Netherlands	Norway	Spain	Average
Total central government **administrative employment**, of which:	4.0	3.5	8.1	15.4	10.0	5.3	8.0	8.9	5.9	8.0
Policy development	0.7	0.5	N/A	0.8	0.8		0.6	0.8	1.1	0.8
Administrative policy execution	1.3	1.7	N/A	13.6	6.8	4.6	6.4	5.1	4.0	5.6
Administrative supervision/regulation	0.7	0.5	0.7	0.8	0.7		0.5	2.5	0.0	0.8
Support services	1.3	0.8	1.5	0.2	1.6	0.7	0.5	0.5	0.8	0.9

Note: 1. France reported that only a split between support services and other activities was possible. 2. Data for France is for 2011. 3. The average is calculated without France.

Source: OECD *Public Finance and Employment Database* (PFED); OECD (2010), "Snapshots of the public administration", OECD, Paris.

The central government organisational structure: a high proportion of central government administrative employment is at the deconcentrated level

Administrative employment in the central government in France has two specific characteristics: *i)* the high proportion of staff working in ministerial divisions at the local level. These are the "*directions départementales inter-ministeriérielles*", the "*directions intersectorielles régionales*" and the "prefectures"; and *ii)* the high proportion employed in "state operators", of which there are a great number, mostly in the fields of education (including the universities), culture and research, and in the delivery of other services. The issues concerning state operators are examined in the last part of this chapter.

Table 3.2. **Central government administrative employment in deconcentrated ministerial divisions and state operators as share of total central government employment**

Full-time equivalents and % of total central government employment in full-time equivalents

	Full-time equivalents	Share of total (%)
Central administration	48 700	11.0
Deconcentrated administrations	251 700	56.9
Other (including units abroad)	31 100	7.0
Public non-profit organisations	110 700	25.0
Total	442 200	100.0

Source: Ministry of Finance, provided in reply to request for this report.

The salient figures in Table 3.2 are the 56.9% of administrative employment (excluding service delivery) in deconcentrated ministerial divisions of central government in the regions and departments, and the 25% administrative employment in the state operators. Although comparable data for other countries are not available, this share of central government administrative employment at the local level seems high. The large share of employment in ministerial divisions at the local level may have to do with the fact that service delivery employment in central government is very high as well. Since the delivery of individual services is by its nature deconcentrated, it is perhaps reasonable to deconcentrate the administrative tasks related to these services (administrative execution, supervision) as well. However, a similarly large country like the United Kingdom, where individual service delivery is again largely a central government concern, has not deconcentrated administrative execution and supervision to the same extent.

3.2. The programme for merging central government executive units at the central and deconcentrated levels

Significant progress with mergers in the central ministries

The merger of executive units as a way of boosting efficiency has been an important trend in OECD countries. In the RGPP context, France has made considerable progress in this area. Apart from mergers at the deconcentrated level, which will be addressed below, we may, for instance, mention the mergers of:

- the *Direction générale des politiques économique, européenne et internationale* and the *Direction générale de la forêt et des espaces ruraux* into the *Direction générale des politiques agricole, agroalimentaire et des territoires* of the Ministry of Agriculture and Fisheries;

- the directorates for equipment and ICT of the branches of the armed forces (army, marine, air) into central directorates of the Ministry of Defence;
- the *Direction de la jeunesse* and the *Direction de la vie associative* into the *Direction de la jeunesse et de la vie associative* of the Ministry of Health, Youth, Sports and Recreation;
- the *Direction générale des impôts* and the *Direction générale de la comptabilité publique* of the Treasury into the *Direction générale des finances publiques* (DGFP) of the Ministry of the Budget, Public Accounts and the Civil Service;
- the *Direction générale des entreprises* (DGE), the *Direction du tourisme* (DT) and the *Direction du commerce, de l'artisanat, des services et des professions libérales* (DCASPL), into the *Direction générale de la compétitivité, de l'industrie et des services* (DGCIS);
- the *Direction générale de l'action sociale* (DGAS), the *Délégation inter-ministérielle à la famille* (DIF), the *Délégation inter-ministérielle à l'innovation, à l'expérimentation sociale et à l'économie sociale* (DIIESES), the *Service des droits des femmes et de l'égalité* (SDFE) and staff of the *Délégation inter-ministérielle aux personnes handicapées*, within the *Direction générale de la cohésion sociale* (DGCS).

The bringing together, within the Ministry of the Interior, of the "gendarmerie" and the national police is not exactly a merger, but it represents a major reorganisational effort to make those services more efficient.

All of these reorganisations have been complicated operations that had to cope with all kinds of difficulties: differences of culture, traditions, operating approaches, and career prospects rooted in the different organisations involved in the mergers.

The reforms of human resource management (see Chapter 5) in government should allow for smoother functioning in the future, making restructurings easier.

A complex reorganisation at the deconcentrated level

A high proportion of central government administrative employees (56.9%, see Table 3.2) are working at the local level under the authority of the prefects. France is one of the countries that has carried the logic of deconcentration the furthest. Although deconcentrated units are common in OECD countries (e.g. Italy, Japan, Poland, Sweden),[6] France is one of the countries that have gone farthest in deconcentrating public administration, and in giving such an important role to prefects as local representatives of the central government.

Box 3.1. **The history of deconcentration in France**

In the 19th century and the first half of the 20th century, there were only prefects at the level of "*départements*" and their tasks were strongly focused on public order and safety. In the course of time, other ministries developed departmental units: these were placed under the authority of the departmental prefects who, however, could not redistribute their resources. The region did not yet really exist as an administrative unit. After the Second World War the number of deconcentrated ministerial units increased not only at the departmental level but also at the regional level, which was coming into existence as an administrative unit. Almost every ministry (then still the 25 ministries from before 2007) created its own territorial network and the units at the departmental level became gradually more independent from the prefects.

The creation of regional prefects in 1964

The first major reform occurred in 1964. It led to the creation of regional prefects in addition to the departmental prefects. The regional prefects were supposed to "harmonise" the execution of the sector policies at the regional level without, however, the competence to redistribute resources and without hierarchical authority over the departmental prefects. The weak competences of the regional prefects were partly compensated by their simultaneous appointment as departmental prefects of the capital of the region. However, this reform did not solve the ever-growing conflict between the vertical logic of ministerial deconcentration and the horizontal logic of territorial representation under a single official.

The ATR Law of 1992

In 1992, the Law on the Territorial Administration ("*Loi ATR*") was adopted. It was based on the subsidiarity principle (public tasks should be allocated to the level of government closest to the citizens, unless important reasons require allocation to a higher level), and a large autonomy of deconcentrated ministerial units in order to adapt administrative action to local circumstances. Yet this reform did not really resolve the tension between the vertical and horizontal logic of territorial organisation.

The LOLF and subsequent reforms reinforcing the role of the regional prefects

In the previous decade two important developments took place.

- The LOLF (introduced in 2006) tended to strengthen the vertical logic of ministerial deconcentration since it made the line ministries responsible for budgets defined by policy objectives as well as for performance in relation to these objectives. This required ultimate authority of deconcentrated sectoral units over policy execution. Confronted with this reform, the Ministry of the Interior and its Directorate of Modernisation of the Territorial Administration (DMAT) launched its own reform aimed at strengthening of the horizontal logic.
- A long process of inter-ministerial negotiation led to three governmental decrees on the organisation of territorial administration. The first sought to strengthen the co-ordinating capacity of the regional prefects *vis-a-vis* the departmental prefects by giving them the task to "further and co-ordinate the actions of the departmental prefects". For that purpose they are required to produce a multi-annual plan specifying sectoral and territorial priorities (*projet d'action stratégique de l'État en région*, PASER) and the tasks of their secretariats (SGARs) were extended with monitoring of performance of regional and departmental deconcentrated units. As a result, the regional prefects can distribute sectoral resources between "*départements*" (but still not between sectors). The second decree created regional "pools" (of deconcentrated units) led by the directors of the most important deconcentrated units. These directors formed together with the regional prefect and the Director of SGAR a committee of regional administration, the new management team of the regional prefect. The third decree allowed regional deconcentrated units to transfer some of their tasks to other deconcentrated units, a particular form of process sharing. The Ministry of the Interior saw these decrees as only the first steps in the direction of further integration of deconcentrated units under the regional and departmental prefects.

The RGPP necessarily had to reform the organisation of the central government's territorial administration where most of its employment is located. However, in contrast to all the other policies addressed in the RGPP, the subject of deconcentrated administration was examined, not in an audit committee with participation of external consultants and officials of inspectorates, but in a working party of the secretaries-general of the ministries, the Director-General of the Budget, the Director-General of Administration and Civil Service, and the Director-General for the Modernisation of the State. This working group concentrated on making major adjustments to the system, and not on a complete rethinking of it. After the major decisions were taken, two audit groups were formed, one called "Interior", for preparing the organisation of the prefectures, the other called "Local Central Government", for ensuring co-operation between deconcentrated units. The first proposal greatly strengthened the horizontal logic at the local level, but it met with resistance. Following further working sessions and negotiations, the solution adopted was a compromise between the horizontal and vertical logics. The vertical logic dominates at the regional level where each ministry maintains it own deconcentrated directorate, the horizontal logic dominates at the departmental level, where with some exceptions only two inter-ministerial directorates remain.

The main features can be summarised as follows:

- Reduction in the number of deconcentrated units of the line ministries at the regional level to eight directorates in line with the division of tasks among the new ministries; however, the *Direction régionale des enterprises, de la concurrence, du travail et de l'emploi* (DIRECCTE) and the *Direction régionale de la jeunesse, des sports et de la cohésion sociale* (DRJSCS) will each serve several ministries.
- Reduction in the number of deconcentrated units at the departmental level to two or three inter-ministerial directorates (DDIs); one directorate for the territory and one directorate for the protection of the population and social cohesion, the latter possibly split in two directorates in departments with more than 400 000 inhabitants. However, the academic inspection offices, the departmental finance and public security directorates are maintained. All other deconcentrated units are merged into the two or three inter-ministerial directorates, with exceptions, called territorial units of regional directorates (UT): at the departmental level deconcentrated units for environmental protection (DREAL), for management of architecture and inheritance (DRAC), and for work and employment (DIRECTTE) will be maintained.
- The regional prefect promotes the sharing of process and support services in the region.
- The regional prefect has a right of review over matters that generally fall within the competence of the departmental prefect but that require stricter regional co-ordination.
- Sectoral budgets are distributed across the departments by the regional prefects, on the advice of the regional administration committee (CAR), and depending on the requests of the departmental directors.
- The regional prefect monitors programme performance in the LOLF sense in the region and the departments under his authority

- The departmental prefect is responsible for operational management of all deconcentrated units in the "*département*", including the establishment of shared process and shared support service arrangements.

When assessing the REATE from a comparative international perspective, it makes little sense to start from a zero base. The French arrangement of deconcentrated central government administration is deeply rooted in French traditions and political values. Questioning the whole arrangement is not a constructive starting point, although it could be the object of a separate study. For this reason, the subject was exempted from the regular procedure of audit by mixed teams, working on the basis of a uniform grid of fundamental questions. In this light, the approach taken in this report is to look rather at the chosen solution and to ask whether it provides optimal conditions for pooling process and support services.

The most conspicuous feature of the solution provided by the REATE is that at the regional level all relevant ministries keep their own deconcentrated directorates (except for the DIRECCTE and the DRISCS which serve several ministries), and that at the departmental level ministries are required to merge their deconcentrated units in two or three inter-ministerial deconcentrated directorates.

As the number of departmental directorates has been reduced to two or three, depending on the "*département*", there is little room left for pooling at this level. There could still be some opportunities at the regional level, given the significant number of structures. There has, in fact, been some movement in this direction with respect to support functions. While the prefects at both levels have been given the task of encouraging pooling, at neither level do they have the authority to actually transfer personnel to these common centres. Although this situation is understandable in light of the vertical logic of the LOLF, it probably constitutes an obstacle to the efficiency gains that might be expected from the REATE.

3.3. Streamlining central government through the sharing of support services[7]

The broad lines of a reorganisation of central government support functions

At the time of the New Public Management reforms, decentralisation of the decision-making process within the central governments of OECD countries, for example through spin-off to agencies (see Annex F), sparked an increase in the size and hence the cost of support functions in some countries. Given the relative centralisation of the decision-making process of the French central government, it is likely that France started from somewhat more favourable conditions with respect to support functions. This is perhaps reflected in the figures on the size of support services in the French central government, shown in Table 3.1.

However, the traditional pattern of support service organisation in the French central government had not hitherto been subjected to any systematic streamlining. Human resources, finance, and, to a certain extent, ICT and information support were provided by central units in each ministry, reporting directly to the minister. Next to these central support units, most directorates had their own human resources, finance and ICT and information units, co-ordinated by the central ministerial support units. All other support services (organisation, procurement, accommodation and facilities, communication) were essentially organised at the level of directorates (including the deconcentrated directorates and the prefectures). In addition, there was traditionally an important inter-ministerial support service task in the area of human resources in the Directorate for the Civil Service

(DGAFP) for the government as a whole, and in the properties and real estate area. As to the inter-ministerial budget function, it was traditionally strong and centralised within the Ministry of Budget, Public Accounts and Reform of the State.

Although it is not possible today to evaluate the effectiveness of this organisation, the following aspects may be noted:

- Apart from the budget, human resources and properties management, the pooling of support functions at the inter-ministerial level was limited.
- At the intra-ministerial level, pooling was relatively advanced, but the co-ordination of support functions was just beginning in certain ministries under the authority of the secretaries-general.[8]

This organisation, then, offered some opportunities for efficiency gains through inter-ministerial pooling of new support functions, and strengthening and co-ordinating shared support functions at the ministerial level. As experience in other OECD countries has shown, pooling should be accompanied in due course by meaningful transfers of personnel to these new units, and staffing cutbacks elsewhere.

Recent reforms, starting before the RGPP operation but pursued in the context of that operation, have gradually changed the traditional pattern. A distinction can be made between intra-ministerial sharing, inter-ministerial sharing and sharing at the level of deconcentrated directorates.

Progress in co-ordinating and pooling support functions within ministries

A first major step was the creation of the position of secretary-general in all ministries. This began in some ministries even before 2007, and was systematised to all ministries during implementation of the RGPP. The central support services of human resources, finance and ICT were subordinated to this new official. Other support services have been progressively centralised under the secretary general, in particular procurement, properties management, and certain aspects of logistics (vehicles, food services, reproduction, security, etc.). Internal audit is a relatively new development in the French central government, and the decision to establish central internal audit units and committees under the secretaries-general was taken only recently.[9] One ministry that is traditionally very compartmentalised and where sharing could lead to substantial savings is the Ministry of Defense. In the context of the RGPP this ministry has made an extraordinary effort to promote intra-ministerial support service sharing (see Box 3.2).

Box 3.2. **The pooling of support services in the Ministry of Defence**

The Ministry of Defence belongs to the most advanced ministries as far as support service sharing is concerned. The ministry has put in place a multi-annual programme of re-organisation and rationalisation that focuses on support sharing in two areas:

- sharing of the regular support services that are common to all administrations: finance, human resources, procurement, ICT and information, accommodation, real estate and facilities, etc.; and
- sharing of operational support for the various branches of the armed forces: army, navy, air force. The latter concerns matters such as munitions, gasoline, uniforms, military health facilities, etc. This box focuses on the former.

Box 3.2. **The pooling of support services in the Ministry of Defence** (*cont.*)

Pooling via the defence bases

A new territorial organisation of the defence establishments has been established as from 1 January 2011, following up on pilot experiments in 2009 and 2010. The new organisation consists of 51 defence bases on the metropolitan territory of France and 9 bases on French soil overseas. A defence base is a geographical area in which the support services of all defence establishments are shared with a view of realising savings. The support services include catering, housing, finance, transport, ICT, etc. The base commander is responsible for the sharing arrangements and the realisation of the savings. In view of the results of the pilot studies, three models of sharing have been recognised, depending on the size of the units in each defence base.

In order to oversee the sharing efforts at the national level a Commissariat of the Defence Forces has been created (SCA) as well as a Centre of Pilot Studies and Support Arrangements (CPCS). These units have been placed under the authority of the Commander for Support of the Armed Forces (COMIAS) of the general staff, which guaranties that henceforth the provision of support services will be steered by a coherent and unified policy. The three separate commissariats of the army, navy and air force have been abolished as from 1 January 2011. Similarly, the intermediary levels of support service delivery have been integrated in the new organisation. In the Paris region, a number of support services of army units have been taken over by the central ministerial divisions of the Ministry of Defence.

In 2011, the new territorial organisation of the defence establishments concerned 20 000 employees (military and civil). It is expected to lead to substantial savings as well as improved quality of support service delivery.

Separate operations have been launched for the management of human resources, procurement and ICT.

Pooling the HR function

In the area of human resources, the training centres have been regrouped in four schools. Three training facilities will be closed. Eighteen centres of recruitment and information will be concentrated and relocated in larger entities. The central human resource division of the ministry has been strengthened and takes over various tasks of the armed forces (including pay and individual rights).

Pooling procurement services

In the area of procurement, a separate unit was created in January 2010 under the Secretary General, in accordance with the revised procurement policy for the whole-of-government. Two waves of new procurement policies have already led to savings of EUR 38 million in 2010. Savings in 2011 are estimated at EUR 70 million. Outsourcing of catering concerning 2 million meals per year, has led to 18% savings annually as from 2011. Similar actions are under way for clothing (military uniforms). A third wave of the new procurement policy is expected to generate savings of EUR 100 million annually as from 2012.

Box 3.2. **The pooling of support services in the Ministry of Defence** (*cont.*)

Pooling ICT services

In the area of ICT, the capacity of the Directorate General of ICT systems of the ministry (DGSIC) was extended in the second half of 2010. Simultaneously the Inter-service Directorate of Networks and Information Networks of the Armed Forces (DIRISI) has been refocused on its role of shared service provider for the three branches of the armed forces. In order to enhance its responsiveness to the interests of clients, a special sub-directorate for client relations has been established within DIRISI. The ICT network is reorganised on the basis of the 55 new defence bases. The network will be served by five establishments of network services.

Source: République Française (2011), *5ème Conseil de modernisation des politiques publiques*, Paris, *www.rgpp.modernisation.gouv.fr/index.php?id=21*.

Considerable progress in inter-ministerial sharing of support services

Important developments in this area are:

1. In 2009, a new directorate for procurement was created in the Budget Ministry (Ministry of Budget, Public Accounts and Reform of the State): the *Service des achats de l'État* (SAE). Its founding decree[10] stipulates that the directorate is tasked with the execution of the procurement policy of central government. Its task covers procurement financed by current operational expenditure (no capital goods). The decree specifies the goods and services that have to be purchased through the SAE, among other things: office furniture and equipment, office hardware and software, material and services for telecommunication, transport services, maintenance of buildings and electrical installations, non-specialised automobiles and gasoline, water and energy, certain financial services. The procurement of all other goods and services is left to the ministries (except the Budget Finance, for which the SAE is in charge of all procurement). The SAE has to assure that its procurement policy leads to the lowest possible procurement costs, while respecting conditions of sustainable ecological development and social development[11] and making possible the largest possible participation of small and medium-sized enterprises in the supply of goods and services. The SAE operates by concluding contracts or framework contracts with market suppliers, the latter to be specified by client ministries. The SAE can delegate the conclusion of contracts or framework contracts to other central government authorities, including the state operator *Union des groupements des achats publics* (UGAP)".[12] The SAE is to prepare a procurement policy based on market analysis, standardisation of needs and the most efficient forms of contracting. The SAE also works for the deconcentrated directorates. Every ministry must appoint a procurement officer who is responsible for procurement in the ministry. The procurement officers form the Procurement Committee,[13] which is chaired by the Director of the SAE. The Director of the SAE consults with the Procurement Committee on SAE policy and all contracts.
2. Properties management (accommodation and real estate) has also been thoroughly reformed. It has defined the responsibilities of central government as owner of buildings and real estate and put in place a support service policy to be conducted by the Directorate of the Domains (France Domaine) of the Budget Ministry. All buildings owned by central government have been assessed. Multi-annual plans of

accommodation and real estate have been put in place for 2007 and 2008 for the central ministries and in 2009 and 2010 for the deconcentrated directorates. Such plans are being/will be put in place for the state operators, universities, and buildings abroad in 2011-2012. As a consequence of these plans, various ministries have moved to less expensive accommodation and others have reduced the number of property sites. In connection with the reform of the deconcentrated directorates of central government (RÉATE), these plans will lead to a decrease of 750 property sites and more than 500 000 square meters of office floor between 2011 and 2013. The ministries and state operators have to pay rent to the Directorate of the Domains for the use of central government-owned accommodation or real estate. The upper limit for market conform rent has been fixed at EUR 400 per square meter in the Paris area. At the end of 2010, around 3 000 lease contracts had been signed. As a consequence of these policies, the floor area occupied by the ministries was reduced by some 300 000 square metres between 2007 and 2010, for savings of EUR 160 million. As from 2011, the reduction has been accelerated, yielding further savings of EUR 30 million per year. Superfluous buildings are being sold. This has led to savings of EUR 3.6 billion in the period 2005-2010 and EUR 500 million annually as of 2011.

3. Placed under the authority of Prime Minister, within the General Secretariat of Government (SGG), the Inter-ministerial Directorate of Information and Communication Systems (DISIC) is responsible for organising the inter-ministerial sharing of information systems and defining an overall strategy for developing information and communication systems within government. It is to consider all ways of pooling resources among several ministries or between ministries and other administrative authorities. To this end, it will take the lead in service-sharing projects, or will be associated in leading them. This new directorate is expected to result in savings of some EUR 80 million by 2012.

4. Other relevant developments are the implementation of the Chorus budgetary and accounting system and the establishment of a National Paymaster's Office (ONP) to handle salary payment for all central government employees.

5. As far as support services in the deconcentrated directorates (central government services operating at the local level) are concerned, it is envisaged that service sharing will be promoted under the aegis of the "prefectures" of the regions and departments. The secretaries-general for regional affairs (SGAR) have been given the responsibility of creating common support services for the deconcentrated regional administration, particularly in the human resource management field. In the context of the REATE operation, (see above) the regional prefects have been given the task to promote service sharing, but they cannot give binding instructions to regional deconcentrated units to transfer their personnel or resources to the SGAR. The departmental prefects have been given broad competence for operational management for all deconcentrated units in their "*département*", which supposedly includes the establishment of shared service centres, but not the transfer of personnel. All regions and departments have been asked to provide sharing plans by June 2011.

6. Furthermore, in some areas of central government logistics (electricity maintenance, receptions, cleaning, security) an expert group has been formed to study the outsourcing of these services in multi-service contracts (leading to

savings of EUR 8.4 million per year from 2011). Certain ministries have started to share services in the areas of printing and food services. In the area of human resources, initiatives have been taken to share training facilities between ministries, to develop e-learning facilities and to pool the organisation of the recruitment examinations (the latter leading to savings of 37% of current costs).[14]

A relatively advanced model for sharing support services

When this pattern of organisation is compared to that prevailing in many OECD countries,[15] the following contrasts come to the fore:

- The traditional pattern in many OECD countries[16] is to concentrate support services in directorates under the secretary general.[17] Every ministry has directorates for human resources and organisation, finance, procurement, ICT and information, accommodation, real estate and facilities, communication and internal audit.
- Since the 1990s, support services have in many countries been decentralised to the directorates, with the central ministerial units focusing more on co-ordination. This development was inspired by the ideas of New Public Management. It has led in many countries to a large proliferation of support service units and a large growth of personnel.
- Currently, there is a strong emphasis in many countries on service sharing both within ministries and between ministries. The underlying idea is that support services have grown too large and should be brought back to not more than 10%-15% of total administrative employment.[18] The decentralisation of support services to the agencies is gradually being rolled back and the central directorates under the secretary general are again taking over these tasks. In addition, inter-ministerial shared service units are created for human resources (recruitment, training, salary pay, career development, top civil service development), ICT (systems development, advice on hardware and software, inter-ministerial intranet), finance (invoicing, cash collection, travel) and facilities (office equipment, reproduction, vehicles, catering, security). They are often added to existing inter-ministerial directorates responsible for government-wide procurement and properties management. There is frequently no centralised support for human resources for the government as a whole (such as the Directorate General of Administration and Civil Service – DGAFP).

From this it may be concluded that France stands as follows in comparison to other advanced OECD countries:

- France was already relatively well-placed in terms of the organisation of the support functions, having avoided the proliferation often associated with the spin-off of human resource, finance and ICT management to agencies. Next, France had, and still has, a sound unit responsible for human resources for the entire central government, located within the DGAFP, as well as a sound unit responsible for property management for central government as a whole.
- With the establishment or reinforcement of the secretaries-general, responsible for managing ministerial support functions, France has made up for lost ground in the co-ordination and pooling of support functions of the ministerial level. Yet there are still opportunities for systematising such pooling within ministries. Some

ministries are well advanced, others less so, particularly when it comes to property management, procurement and human resources. As to internal audit and communication, sharing within ministries under the responsibility of the secretary general is just beginning for the most part (for internal audit a decision to that effect has been taken: see section on internal audit).

- When it comes to inter-ministerial pooling, France is among the most advanced reformers in the OECD, with the creation of procurement directorates serving the entire government and a central pay office for all government employees. But France has been slower than other OECD countries to develop shared inter-ministerial support service units for ICT, communication, and the budget and accounting system (Chorus). The same is true for certain aspects of human resource management, such as recruitment. Yet things seem to be moving swiftly today. Other pooling arrangements can be envisaged, for example inter-ministerial communication units (or a reinforced government information service) or logistics units (office equipment, reproduction, vehicles, catering services, security, maintenance and reception). In the case of logistics, the need to create these inter-ministerial units will have to be assessed in light of the progress made in standardising their management, in particular through the central Government Procurement Service (see Section 3.2). In the ICT field, there could be a pooling of the tasks of co-ordinating databases, introducing intranets across government, and maintaining web portals for individuals and businesses (see also Chapter 4). Management of the senior civil service also requires greater co-ordination, which could benefit from more pooling. Today, the General Secretariat of Government co-ordinates management of the "talent pool". But management of the senior civil service goes well beyond that aspect, and demands comprehensive HRM capacities. It could be very suitably located within the DGAFP.
- As to the organisation of inter-ministerial support functions, given the strong tradition of centralised direction, the concentration of support services in a single ministry is probably the most appropriate solution. Moreover, the Ministry of Budget, Public Accounts and Reform of the State already has services such as property management, and until recently it had the General Directorate of Administration and the Civil Service (DGAFP). That ministry could take back the DGAFP and expand its mission, particularly as it relates to managing the senior public service (see above).

The need for a specific incentive mechanism for decreasing the costs of support service

In comparison to some other OECD countries, the French central government has not instituted a formalised and systematic mechanism specific to support functions that would strongly encourage the actual transfer of tasks to the shared service centres and reap real savings from their creation. The choice here is between two procedural models (see Box 3.3):

- the Danish top-down model, with full transfers of pre-identified staff; and
- the Dutch reduction target model, with big reductions of operating budgets creating incentives for service sharing.

In France, the non-renewal of one in two retiring civil servants is an incentive for ministries to transfer staff to shared services and not renew others in their functions. But this measure does not specifically target support services, although it seems that there have been significant staff reductions in the support functions.[19] Moreover, the mandatory 10% reduction in non-personnel operating expenditure between 2010 and 2013 does not include a specific target for support services. One interesting approach is that implemented in the Netherlands, where the ministries were required to reduce their support staff by 25% between 2006 and 2010. One report shows that this goal has been achieved overall.

Box 3.3. **Models of support service sharing in OECD countries**

Two kinds of incentives for transferring tasks and reducing costs

Establishing shared support service centres is crucially dependent on the willingness of ministries and agencies to transfer tasks to these centres. Establishing centres is one thing, transferring tasks is quite another. As it turns out, in the countries that are in the vanguard of service sharing, two rather different approaches are followed for transferring tasks. One, exemplified by Denmark, relies on a top-down approach. The second, exemplified by the Netherlands (but also practised by other countries such as Finland and the United Kingdom) relies on an incentive approach, whereby the incentive consists of a specified, temporary (*ad hoc*) cut-back target specifically aimed at support services.[20]

Two organisational models

Related to these procedural models to stimulate service sharing are organisational models. Here too, two approaches can be discerned among the vanguard countries. One is the concentration model, exemplified again by Denmark. According to this model, all shared services are concentrated in (agencies of) a single ministry, usually the Ministry of Finance. In the other approach, shared service centres can be established by every ministry in co-operation with any number of other ministries that are interested in co-operation. This is the approach of the United Kingdom. Obviously there is a relationship between the procedural and organisational models although not a strict one-on-one relationship. It is more or less natural that the Danish top-down model goes hand-in-hand with a concentration of all shared service centres in a single ministry, since the whole operation is strongly steered from the Centre of Government. The incentive model, on the other hand, puts the initiative for transferring support tasks in the hands of the separate ministries and agencies. With this approach, the establishment of shared service centres is also left to the initiative of the ministries. Nevertheless the relationship is not one-on-one as appears from the Dutch approach. The Dutch practice an incentive model for the transfer of tasks, but nevertheless they have concentrated the shared service centres in only three ministries: human resources and organisation, ICT and information, procurement and accommodation and logistics in the Ministry of the Interior; finance and internal audit in the Ministry of Finance/Budget; and communication in the Prime Minister's Office.

Sharing accompanied by staff transfers in Denmark

Denmark is pursuing two objectives in its approach to shared services: *i)* creating a more attractive work environment for professionals in administrative and ICT disciplines against the background of increasing competition for the relevant skills with the private sector; and *ii)* the need to achieve efficiency gains. There are three new shared services centres:[1] the Agency for Government Management, the Agency for Governmental Administration, and the Agency for Government IT Services. The tasks to be transferred to these agencies include: budgeting, accounting, invoicing, salary pay, travel administration, recruitment, personnel administration, administration of central government grants, pensions and loans, procurement, ICT systems development, ICT advice on hardware and software and many others.

Box 3.3. **Models of support service sharing in OECD countries** (*cont.*)

In a first phase, the tasks to be transferred are identified and best practices for the relationship between the shared service centres and the client ministries/agencies have been defined (in customer agreements). The remaining tasks of the local units in the ministries and agencies were redefined. Furthermore, the employees to be transferred were identified and incentive schemes in the sphere of remuneration were set up to prevent a heavy loss of experience and skills. In a second phase, employees and the corresponding operational resources were transferred. This started with a pilot in which the Ministries of Finance and of Economic Affairs took part. Subsequently, the employees and resources of other ministries were transferred while taking account of the lessons learnt in the pilot. The operation is still under way. It is noteworthy that the savings will be realised gradually **after** the transfer, not at the occasion of the transfer, and they will be the product of natural attrition (retirement and people leaving to the private sector). Consequently the transfer operation in itself will not cost jobs and job losses will not occur instantaneously. This is an important feature of the operation which has largely eliminated resistance and may explain its success.

Sharing accompanied by staff reduction targets in the Netherlands

The Dutch government has instituted a central government reform that includes a 20% overall cut in staff positions of the central government, with different reduction percentages for the different tasks of government. The largest reduction was decided for support services namely 25% over the four years of the Cabinet period.[2] Significantly, the resources involved were immediately subtracted from the four-year budget envelopes of the ministries. Although ministers were in principle free to realise the employment reduction targets and the corresponding savings target by internal reorganisation, it is clear that the percentage of support service cuts is of such a magnitude that it provides a strong incentive to co-operate on service sharing. For this purpose, a new shared service agency was created in the Ministry of Interior: the Agency Work Company. It provides services in the sphere of human resources and organisation, procurement and facilities. Other shared service agencies in the Ministry of Interior existed already and took on additional tasks: the Agency P-direct (for salary payments, now for all ministries and agencies) and the Common Administrative Organisation (for ICT advice and systems development). A new shared service was created in the Ministry of Finance for Internal Audit. Almost all 800 internal auditors of the central government have now been transferred to this service.[3] Recently, the Government Buildings Office (for accommodation) had also been set up in the Ministry of the Interior.

Notes: 1. Next to the traditional government-wide support units: central government's Employers Agency and the Palace and Property Agency. 2. The other percentages were: 10% for policy execution, 20% for policy development and 20% for administrative supervision and regulation. 3. There has been some discussion whether it is sensible to concentrate internal audit in a shared service centre, since it can be argued that internal audit by its nature requires a relation of confidentiality with the line minister. This view has also been defended in various OECD reports. However, the Dutch Ministry of Finance felt that in view of the exorbitant growth of internal audit employment in the last decades (from some 50 auditors in the beginning 1990s to 800 now), concentration was the first priority in order to achieve a gradual reduction.

Source: OECD analysis drawing from the OECD "Value for Money" project, 2010.

The Danish and Dutch models have proven to be effective and successful. At first glance, the Danish approach might seem a better fit with the French tradition of strong central direction. However, in spite of this tradition, French ministries are also characterised by the great autonomy of the directorates within the ministries. It would likely be difficult to implement mandatory transfers of entire support units from the directorates to the secretaries general or to the inter-ministerial shared service centres of the Ministry of Budget, Public Accounts and Reform of the State. In this light, the reduction target approach seems to be more promising. However, this approach is dependent on some strict conditions. It requires an accurate classification of the whole of

administrative employment in order to have precise figures for support staff in each directorate. Even more importantly, it requires a solid budget procedure that guaranties that reduction targets are immediately reflected in coherent ministerial budgetary envelopes. In principle, the new French budgeting procedure based on medium-term framework laws (*lois de programmation des finances publiques*) should make it possible to build in this automatic adjustment.

3.4. Standard setting for operational management

All OECD countries have general rules and policies relating to many areas of operations management (see Note 8) in order to safeguard quality standards in operational means, as well as to control costs. These rules apply for instance to the process of budgeting and accounting (financial management); the processes of recruitment, performance appraisal, promotion and remuneration of personnel (human resource management); the purchase of goods and services from external suppliers (procurement management); the application of ICT (ICT management); and the use of accommodation (properties management). Policy making in these areas is denoted as standard setting for operational management. The idea is to strike a proper balance between "letting managers manage" and preventing excessive use of operational means.

The starting conditions are favourable

The French central government has always been characterised by strict central rules for the use of operational means. This is particularly true for human resources, where rules on recruitment and pay are particularly strict (see Chapter 5). In other areas as well, such as finance, accommodation and procurement, strict rules for the whole of central government have always been in place.

Other countries are now attempting to regain control over the use of operational means delegated to operating agencies (which employ on average 75% of administrative employment in the countries participating in the OECD Value for Money study, 2010). In many countries, this delegation has generated higher operating costs. This is not the case in France.

Opinions sounded in OECD countries converge around the idea that standard setting should be concentrated in a single ministry for all operational means. More specifically, the Ministry of Finance/Budget is often seen as the best location for standard setting, since the balancing of service levels and quality against costs is the core task of this ministry. In many OECD countries, however, this is currently not the case. Standard setting for human resources, ICT and information and logistics is often attributed to the Ministry of the Interior or the Ministry of Public Administration. Standard setting for procurement is sometimes tasked to the Ministry of Economic Affairs. Standard setting for accommodation is sometimes attributed to the Ministry of Housing. Standard setting for communication is sometimes attributed to the Prime Minister's Office. Only for budgeting and internal audit is standard setting always attributed to the Ministry of Finance/Budget. Some countries are now considering a move in the direction of concentration, but since this involves the politically sensitive reallocation of responsibilities between ministries it is generally a difficult process.

Here again, the starting conditions in France are favourable. Although standard setting used to be scattered over various ministries as in other OECD countries, in France the concentration has already taken place in the Ministry of Budget, Public Accounts and

Reform of the State, although management of the civil service was recently split off to a separate ministry (see Box 3.4).

Box 3.4. **The concentration of operational standard setting in the Ministry of Budget, Public Accounts and Reform of the State**

- In the 1980s, the Ministry of the Civil Service (*la fonction publique*) with its Directorate General of Administration and Civil Service (DGAFP), was the leading actor in public sector reform, and since 1989 has acted as co-ordinating ministry of the "*Renouveau du service public*" operation.
- In the 1990s, the reform effort evolved and led to a certain competition between three central ministries: the Ministry of the Interior, the Ministry of the Civil Service and the Ministry of Finance. Each ministry initiated its own reform operations: the Ministry of the Interior focusing on deconcentrated and local government (*Loi sur l'administration territoriale de la république*, ATR); the Ministry of the Civil Service focusing on human resource management, public employment, operational management and user rights; and the Ministry of Finance with its Directorate for Budgetary Reform focusing on development and implementation of the *Loi organique relative aux lois des finances* (LOLF).
- Since 2003, the balance has gradually shifted in favour of the Ministry of Finance. The steering committee of the LOLF, composed of directors of the Ministry of Finance and the finance directors of the line ministries and the Programme Audit Commission (consisting of 14 financial inspectors), was given important tasks in the steering and evaluation of all government policies.
- In the 2005 government, the task of central government reform was attributed to the Ministry of Finance and for that purpose a Directorate General of State Modernisation was created in that ministry.
- Finally, in 2007, the Ministry of the Civil Service was merged with the Ministry of Budget, Public Accounts and Reform of the State, but they were again split apart in 2011. Apart from a few areas where there are no clearly defined standard setters at all (communication, logistics), all standard setters except DGAFP and DISIC are now in the Ministry of Budget, Public Accounts and Reform of the State.

Stricter standards are still possible in various areas

In this section, some observations will be made on standard setting in areas where operating standards could be extended: organisation, logistics, internal audit and communication. Finance has been addressed in Chapter 2 and human resources in Chapter 5.

Organisation of the central government

When comparing the organisation of the French central government with that in other countries, a number of unsystematic features stand out. All across the OECD, the organisation of central government, more than that of local government, is the product of historical developments, and each central government has its idiosyncrasies that cannot be explained by considerations of rational organisational policy. In the French central government there are a great number of advisory committees and councils, with widely overlapping responsibilities,[21] including at the inter-ministerial level. Some of them are more or less dormant. In the RGPP context,[22] a start has been made at reform, with the

elimination and rationalisation of a host of committees and commissions. But there is still neither overall vision of government administration nor any set of criteria defining the conditions that justify the creation or existence of committees, councils or commissions.

There are a great many of state operators (*opérateurs d'État*) that perform a wide variety of tasks, some of which in other OECD countries are carried out by regular executive agencies. It would be timely, then, to define criteria to justify the creation of different types of entities. This policy could be headed by the central standard setting authority, and could bring more rationality to the organisation of the French central government.

Logistics

Central standard setting for logistics, covering for example office equipment, reproduction, catering and security, could be improved. The secretaries-general sometimes set standards in this area for their ministries, but for the most part the use of operational means seems to be left to the discretion of the directorates. Beyond the savings that could be realised by pooling the other support functions concerned, it would be useful to have more explicit rules on the use of these services. Such rules would be valid for the entire French administration, and would be set by the Ministry of Budget, Public Accounts and Reform of the State.

Internal audit

Internal audit is a relatively recent development in most OECD countries (since the 1980s). Internal auditors perform the same tasks as the external auditor (the Court of Accounts in France), but they do this for the line minister rather than for Parliament. Basically, internal auditors are mandated to warn the ministers about financial risks. Those risks can arise from failure to respect laws and regulations or from policy shortcomings leading to inefficiency and waste in the use of resources. The auditors perform this task in the same way as external auditors, namely through financial audits, aimed at controlling the reliability of the accounts, compliance with laws and regulations and soundness of administrative processes, and through performance audits aimed at controlling the efficiency and effectiveness of policies.[23] Standards for internal audit are usually set by a central harmonisation unit in the Ministry of Finance/Budget.

France has just begun to organise its internal audit function. A report of the *Inspection génerale des finances* of October 2009 proposed the establishment of an internal audit function throughout the central government, partly in response to European requirements in this respect. The report also recommended establishing a central harmonisation unit in the Ministry of Budget, Public Accounts and Reform of the State that could act as standard setter for the whole of central government (Inspection générale des finances, 2009). On the basis of that report, the CMPP of June 2010 established a three-year timetable for introducing a workable system for evaluating risk control mechanisms on the basis of coherent governance between the ministries and a harmonised methodological framework that would be used by all.

OECD experience shows that it is very important how the standard setter conceives the role of internal audit. On this matter a common view has not yet emerged. In this respect, the question whether internal auditors should have an assurance role[24] with respect to the financial reports is particularly controversial. In view of the significant growth of internal audit as a support service in certain countries, the OECD has recommended on various occasions[25] that internal auditors should have a limited role (not

including a formal assurance task), but dispose of excellent expertise and be positioned very close to the minister. In order to be effective, the internal audit team should have the confidence of the minister and focus on the major risks in the financial administration and the policies of the ministry. Obviously, the standard setter in the Ministry of Budget, Public Accounts and Reform of the State plays a crucial role in the promotion of such an approach to internal audit.

Communication

Communication is another area of operational means where strong central standard setting seems to be lacking in the French central government. In this case, however, the French situation is a little different from that in many other OECD countries. Each ministry and directorate has its own communication support unit and all these units are growing fast and steadily. Communications standards can play an important role here. A specific authority, perhaps the Government Information Service, which is now responsible for disseminating inter-ministerial information and co-ordinating communication policies, could specify common rules for the entire government concerning public communication. Those rules will have to leave open the possibility of maintaining communication support units within ministries and directorates of moderate size. The austerity plan announced by the Prime Minister in November 2011 called for a EUR 40 million cut in communication expenses. Those reductions do not, however, obviate the longer term need for stricter rules governing communication.

Sectoral differentiation in the application of operating standards

It should be noted that standards for operational means often need to be adapted to the nature of the services delivered: police, schools, hospitals, penitentiary services, armed forces, natural conservation, infrastructure construction, etc. For these services, special standards of operational management are required, which may sometimes necessitate a dispensation from general standards. In general, the establishment of these standards falls to the secretaries general of the ministries.

3.5. Public non-profit institutions: “state operators”

What are public non-profit institutions?

In all OECD countries, there exist public non-profit institutions that belong to the central government sector in the *National Accounts*. These institutions possess legal personality and are defined by several criteria:

- they are in charge of implementing public policies;
- they are controlled by central government in the sense that central government has ultimate control over their operational management and guaranties the associated risks;
- they are predominantly (more than 50%) financed by central government.

Such institutions also exist in France: there are slightly more than 600 of them in the *National Accounts* sense. For the most part, they are known as state operators (*opérateurs de l’État*). The great majority are in the education, culture and research sectors. Since the implementation of the LOLF, special attention has been given to the identification of state operators. Since these institutions have an important role in the execution of public

policies, it was seen as logical that they should be subordinated as far as possible to the requirements of the LOLF.[26] A number of institutions that satisfied the definition criteria were exempted from the status of state operator because they were covered by other governance arrangements. This is the case, for example, with secondary education institutions (*lycées* and *collèges*) and certain institutions close to the corporate sector, such as the owner of the French railway network ("*Reseau Ferré de France*").

The resources of state operators

The applicability of the LOLF to the state operators means that the financing they receive from central government (in French legal meaning of that term) is inserted into central government budget in accordance with its classification based on programmes and sub-programmes ("actions"). These allocations are then sub-divided into three or four budget line items:

1. compensation of employees;
2. other operating costs;
3. investments;
4. as necessary, transfers (grants, subsidies, social benefits, etc. to third parties).

While operators have to respect the split between the line items, they are free to spend the resources as they see fit within each line item. Similar to the other budgetary entities, they can be required to hold certain funds in reserve pursuant to Article 51 of the LOLF. Furthermore, the operators have to submit a table of employment as part of their budget submission that respects the employment ceilings as established for the government as a whole (as all other budgetary entities must do). The applicability of the LOLF also implies that state operators who play an important role in the execution of a programme or sub-programme (more than 50% of the cash or obligations budget of the (sub-)programme, the so-called "principal operators"), must submit an "annual performance proposal" (*projet annuel de performance*, PAP) that specifies their contribution in the budget year to the objectives of the (sub-)programme as well as to objectives that may be particular to the each operator concerned. The largest state operators are also required to have a performance contract (*contrat d'objectifs*) which covers multiple years and determines objectives and indicators of achievements. It covers the entire activity of the operator, including any commercial activities. It must be agreed between the operator and the financing ministry and has to be approved by the governing board of the operator.

According to the 2010 Budget Law there are 643 state operators in France. Their total cash budget ("*crédit de paiement*")[27] amounted to more than EUR 34 billion in 2010.

Reforms for greater standardisation of state operators

A circular of March 2010 spelled out the consequences of applying the RGPP to the operational management of state operators. It introduced a number of new rules with respect to their performance, expenditure control, and quality of financial reporting and management. The Council for Modernisation of Public Policies has since then confirmed this commitment and has further specified the horizontal rules applicable to all state operators. Among other things, the responsibilities of the oversight ministry are clarified and decisions are taken on reducing the operational costs of state operators, to be

reflected in budgetary allocations for the years up to 2013. Lastly, around 20 operators have been subjected to a specific audit under the programme launched in 2009.

Box 3.5. **RGPP decisions for standardising operations management for state operators**

These decisions imply that:

- The appropriations for non-payroll operating costs will be reduced by 10% over the period 2011-2013.
- Employment under central government financed ceiling will be reduced by 1.5% per year over the period 2011-2103.
- Performance contracts were to be in place for all state operators by the end of 2010. By March 2011, 85% of the 65 most important state operators had signed such a contract. Furthermore two-thirds of their directors were by that date provided with a mission letter that specified what their oversight ministry expected from them. Additionally, a variable performance component was introduced in the remuneration of state operator directors in general.

Meanwhile, new rules have strengthened the governance of state operators:

- Their vehicle fleet has been cut back.
- State operators must appoint a procurement officer. After a diagnostic study in the first half of 2011, the state operators must use the central government Procurement Office (SAE) for purchases covered by the 15 inter-ministerial procurement markets assigned to this office, unless they can purchase at a lower cost.
- State operators must submit a multi-year properties management plan, indicating the properties they own or lease, central government properties they control or occupy, and their strategy for making their property management more efficient.
- The RGPP audit programme for state operators has continued, with ten audits performed in 2011.
- The most important state operators must avail as from 2011 of adequate procedures of internal control; as part of these procedures the financial and reporting risks must be described and a multi-annual plan for the control of these risks must be developed.
- Administrative state operators (ODACs) can no longer borrow from external banks beginning in 2011 (this applies to three-quarters of all state operators).
- State operators must annually submit multi-annual employment and employment costs estimates.
- State operators must submit semi-annual financial execution reports with an estimate of end-of-year outcomes.
- State operators must see to it that their governing boards develop strategic competencies in the areas of risk control, human resource management, performance indicators, procurement management, accommodation management, etc.

The need for an explicit policy on the use of state operators

The importance of explicit criteria for creating opérateurs de l'État

In the context of the RGPP, it would be worthwhile for France to focus not only on the operational management of state operators and their compliance with central government standards, but also on criteria for determining when and where to create a state operator. Thought should also be given to verifying the extent to which state operators actually meet those criteria. These criteria should not be confused with those that define the status of state operators in the annex to the Budget Law, which were developed to delimit the universe of state operators.

Although comparative numbers are lacking, France seems to make more use of non-profit institutions (endowed with a legal personality) in its public administration than other OECD countries do, particularly in the area of administrative policy execution (25% of total central government administrative employment, see Table 3.2). One may ask why France often makes use of non-profit institutions (with legal personality) in cases where other OECD countries opt for other organisational forms. On this point, it is important to note that legal personality does not convey policy independence. It has other implications, however, the most important being the ability to raise funds from third parties which can then be allocated to their own expenses.

Non-profit institutions enjoy a degree of autonomy that divisions of core ministries and "executive agencies" without legal personality do not necessarily have.

The legal status of state operators is thus particularly suitable for institutions that receive a relatively large part of their funding (though less than 50%, otherwise they could not be **public** non-profit institutions) from third parties. Their legal status provides a strong incentive to seek and collect contributions from third parties (such funds can be earmarked for specific uses, they can be saved, and they cannot be appropriated). In this light it is understandable that the status of public non-profit institution is used in many countries for higher education (including universities) and research establishments, and cultural institutions (theatres, performing arts, museums, visual arts foundations, etc.).

On the other hand, the inherent freedoms of non-profit institutions impede the unqualified applicability of standards of operational management that apply to core ministries and agencies without legal personality. In particular, these standards can never be fully applied to the expenditures of non-profit institutions that are funded by contributions of third parties, as this could undermine the incentives to seek and collect such contributions. This implies that the status of non-profit institution should not be awarded lightly to institutions that do not receive important contributions from third parties or for which incentives to seek and collect such contributions are less relevant.

Strengthening the oversight of state operators

France has taken great steps, mainly through the RGPP, to control the operational management of state operators. In many OECD countries, public non-profit institutions operate with very little transparency, despite being funded from the public purse. France has made considerable efforts to identify the publicly financed non-profit institutions and to subject them to standards of operational management. As a consequence of these recent efforts, France can be considered to be in the vanguard and could serve as an example for other OECD countries.

The application of government-wide standards of operational management to non-profit institutions is not a straightforward matter. Non-profit organisations have their own arrangements of internal governance based on their statutes or founding laws. It is not necessarily desirable to make non-profit institutions systematically subject to the operational management standards applicable to government as a whole. However, the large part of public funding (more than 50%) does provide a sufficient reason to apply selected and tailor-made standards. It must also be recognised that most of these institutions are tasked with providing services in kind (universities, hospitals, cultural institutions, etc.) which require additional special standards in any case.

The circulars of 2010 and 2011 placed constraints on the operational management of state operators with particular regard to employment, operational costs, performance planning, financial reporting, variable remuneration of directors, and borrowing. Furthermore government-wide standards on procurement and internal control and auditing have been applied almost in full to the state operators. While acknowledging that state operators need more autonomy than core ministries and agencies and that many state operators provide goods in kind (requiring special standards to be set at the ministerial level), there are probably further opportunities for enhancing standards and achieving additional savings.

In the area of human resources, to take but one example, there may be room for stricter standards on pay and performance appraisal in the EPICs (public institutions of an industrial and commercial nature). Moreover, while some non-profits may need to advertise their services (theatres or museums), other do not, and thought should be given to applying communication standards to certain state operators.

As to the financing of state operators, the oversight ministry is responsible for their budgeting and performance supervision. For executive agencies, the OECD recommends that budgeting should be an annual exercise led by the finance directorate of the ministry, whereas output supervision is a continuous process ("permanent performance dialogue") that should be led by the ministry's sector policy directorate. This approach could be considered for state operators. This separation does not currently exist, a situation which, as in the executive agencies, can lead to distorted incentives. The Ministry of Budget, Public Accounts and Reform of the State might consider establishing an efficiency centre for state operators that would assist the line ministries in their budget negotiations with the operators. If the state operator is financed by several ministries, the leading role of the oversight ministry is important both in the budget process and in the permanent performance dialogue.

3.6. Summary of recommendations

With the RGPP, the French government has taken a leap forward in terms of internal organisation.

The fields where the greatest progress has been made are in the merger of organisations and the pooling of support services at the central and deconcentrated levels. France has also made progress regarding the standard for operational means and the governance of state operators, and ranks among the most advanced countries in these areas. On the latter point, the fact that France never fully implemented the New Public Management reforms has proven to be an asset, allowing it to tackle its reforms from a more favourable starting point than other countries.

Pursue the strategy of merging executive units at the central and deconcentrated levels of central government

At the central level

In terms of merging organisations, great progress has been achieved through the RGPP. The problem now is to maintain an ongoing process that will allow for structural reorganisation. Although the opportunities for large-scale reorganisations are naturally more limited now, continued adaptation of administrative structures is important for the future. This issue is part of the broader issue of encouraging continued optimisation, examined in Chapter 2.

At the deconcentrated level

If the recent REATE is to be fully effective, thought will have to be given to the powers of the prefects, and particularly the regional prefects, in the area of human resources. The central government could explicitly authorise the transfer of human and material resources among the deconcentrated directorates in order to promote the sharing of processes and services. This would require a shift from the LOLF approach.

It is not a matter of establishing a general competency to redistribute personnel or resources between deconcentrated units in light of regional priorities. What could be envisaged is a limited competency linked to well-defined projects for sharing processes or support services. Such a limited competency would respect the authority of the line ministry to decide about sectoral resources and personnel in view of sectoral policy objectives, but it would create better conditions for process and support service sharing. In order to gain co-operation from the line ministries, this reform could be accompanied by the requirement to achieve savings, which would be fully returned to the ministry that saw its personnel and resources transferred.

The potential for pooling support functions could also be reinforced by a provision explicitly authorising the prefect to transfer material and human resources from inter-ministerial directorates to the general prefecture services, which would then serve as the common service centre. It would be advisable to make those transfers conditional upon the achievement of savings, which could then be returned to the inter-ministerial directorates.

Continue rationalising support services

For the first time, France, like other advanced OECD countries recently, has taken note of the possible efficiency gains to be had from rationalising support services – although the data do not point to problems any bigger than other OECD countries face in these fields. To take advantage of these efficiency gains, the RGPP has mostly focused on reforms to favour the inter-ministerial sharing of support services. There is room for further progress, even if the gains in terms of workforce reduction expected from the support functions are limited because of their relative weight in public employment.

By pursuing inter-ministerial pooling

A number of measures could easily improve the rationalisation of the support services by furthering the reforms already made.

First of all, the RGPP could pursue its present strategy and extend the tasks of the Civil Service Directorate (DGAFP) to other human resource and organisational tasks, especially in management of the senior civil service. A new common support functions unit could handle maintenance and logistics (office equipment, reproduction, catering, security), supplementing the efforts made in these fields through the standardisation of procurement. As well, the tasks of information retrieval, government-wide intranet, and the maintenance of government-wide portals for citizens and businesses could also be pooled.

By further facilitating sharing within ministries

The RGPP has created or reinforced (depending on the ministry) the post of secretaries general, thereby creating the conditions for further sharing of support services within ministries. Until now, the concentration of support services within the ministries has been mostly limited to human resources, finance and ICT, while a decision has been taken (but not yet implemented) concerning internal audit. The other support services – in logistics areas as well as communication – are still based within the directorates. There are gains to be had from concentrating these services under the secretary general.

By strengthening the requirements for efficiency gains in support services

France has created the conditions for efficiency gains in support services mostly through arrangements for sharing these services. Yet the incentives for ministries to use these services and thereby achieve efficiency gains are still confined to the basic efficiency measures adopted for all government services (non-replacement of one retiring civil servant in two; cuts in non-payroll operating budgets).

It should also be possible to fix a maximum percentage ceiling on "administrative employment", which could be set at between 10% and 15% of total employment in central government. The pursuit of this target requires an accurate stock-taking of employment numbers. International experience shows that this is not an easy task as it requires a particular job classification system. It can be done, however.

Second, the government should consider strengthening incentives to transfer support tasks to the shared support service centres as a way of achieving efficiency gains. A reduction target specifically aimed at support service costs would encourage pooling, and would be even more effective if made part of the multi-year budget framework.

Continue strengthening standards of operational management

At a time when the strengthening of standards for operational management is becoming a priority in many OECD countries, France enjoys favourable starting conditions because central government decision making is relatively centralised and there has been little spin-off to agencies. The RGPP has made some improvement in this field but more can still be done to improve efficiency by developing stricter standards for operational management. The expanded functions of the central standard setting authority should logically be located in the Ministry of Budget, Public Accounts and Reform of the State.

For the organisation of central government

In many respects, the central government is not organised very systematically. This is particularly the case when it comes to advisory councils and committees, including those at the inter-ministerial level, and to state operators. A more explicit policy of basing organisational structure on systematic criteria, under a central standard-setting authority, could improve the organisation of the French central government.

For internal audit

Internal auditors should have a limited role but should have solid expertise and be positioned very close to the minister. In order to be effective, the internal audit team should have the confidence of the minister and focus on the major risks inherent in financial administration and ministry policies. The standard setter in the Ministry of Budget, Public Accounts and Reform of the State should play a crucial role in the promotion of such an approach to internal audit. Having internal audit standards will make it possible to keep the internal audit units in the ministries and directorates to a modest size.

For communication

A standard-setting authority should be established in the Ministry of Budget, Public Accounts and Reform of the State. This authority would lay down government-wide rules for communication and make sure that the rules allow the ministries and directorates to retain modestly sized communication units.

For logistics

Central standard setting for logistics (e.g. office equipment, reproduction, catering and security) could be improved. To some extent, this standardisation will occur with the pooling of government procurement services. But it would surely be useful if the Ministry of Budget, Public Accounts and Reform of the State were to set supplementary rules, applicable to the entire central government, governing the use of these services.

Standardise the criteria for creating state operators

The recent reforms undertaken through the LOLF, and then through the RGPP, to improve the governance of state operators have placed France among the leading countries in this field.

Given the great number of state operators in France, it could be useful to establish rules for deciding when and where to create such entities. It could also be helpful to formulate some supplementary standards of operational management applicable to state operators. In the area of human resources (at least for EPICs), there may be room for stricter standards on pay and performance appraisal. Although certain non-profits may need to advertise their services (theatres and museums), others do not. There is no reason, then, to exempt state operators in general from standards on communication (see above).

Notes

1. This instrument has been used, for instance, in the OECD Value for Money country assessments of the Netherlands (2010), Australia (forthcoming), Denmark (2011), Sweden, (forthcoming), in *Public Administration after "New Public Management"* (OECD, 2010) and in various OECD Budget Reviews. Snapshots have been provided by countries participating in the OECD Value for Money project in response to the questionnaire of January 2010. The snapshot for France was provided by the French Budget Ministry in August 2011 for the purpose of the present OECD report.

2. Administrative employment excludes: the military, the police, staff of penitentiary institutions, other collective service delivery (for instance, units for construction or management of transport infrastructure), all educational institutions, health providers, and other institutions involved in individual service delivery (cultural services, social services, etc.), regardless whether they are public or private non-profit institutions or regular units of central government administration.

3. It also allows to circumvent the traditional difficulties of measuring government employment, which is affected by the organisation of service delivery in policy areas such as health and education. In the Nordic countries, Spain, the United Kingdom and France, health is entirely inside the government sector of the *National Accounts*. In the Netherlands it is entirely in the corporate sector. Similarly in the Nordic countries, Spain, the United Kingdom and France, private education is entirely outside the government sector. In the Netherlands, private education (two-thirds of all educational employment) is entirely inside the government sector.

4. Administrative supervision consists of enforcement of laws and regulations other than through the regular police, in particular through inspectorates. Regulation consists of rule setting aimed at ensuring market competition or at protection of consumers of private or public services or employees of private or public institutions other than through market competition. Administrative regulation consists of regulation by independent agencies (not under the ministerial responsibility).

5. Australia, Austria, France, the Netherlands and Spain have lower than average administrative employment in central government, whereas administrative employment in Canada is equal to average. For federal countries this can perhaps be explained by their federal structure. However, France and the Netherlands are not federal countries, and this supports the conclusion that the latter countries have succeeded relatively well in controlling the size of administrative employment. Furthermore, it appears that the size of support service employment in France is about average. However, the picture changes when non-administrative employment, i.e. service delivery (police, armed forces, infrastructure construction, health care, education, social services, cultural services, etc.) is taken into account. France has organised collectively financed service delivery to an exceptional degree inside the central government. The difference with other countries can mostly be explained by individual service delivery (health care, education, social services, cultural services), and the relatively large personnel complement of the armed forces may also play a role. In itself this is no reason for concern from the viewpoint of efficiency. Other

countries have organised collectively financed individual service delivery for a large part in local government (Denmark, Norway), or in the private non-profit sector (Austria, the Netherlands). There would only be a reason for concern if general government employment in France were much larger than in countries with decentralised individual service delivery that have participated in this survey (Denmark, Norway), but this is not the case: total general government in France is about average in this group (90.7 employees per 1 000 inhabitants versus 91.5 on average in this survey; 21.8% of domestic employment versus 18.3% on average).

6. For example, Belgium and Italy also have prefects. The Netherlands has commissars of the queen and mayors who belong to local government (provinces, respectively municipalities), but who are appointed by the queen (central government) and are responsible for public order.

7. Operational management is defined as decision making about the use of operational means. Operational management is in the first place the responsibility of managers in all areas of government activity (policy development, policy execution, administrative supervision/regulation, support services). To support managers in this regard, specialised staff units exist in all ministries, ministerial divisions and agencies across government: support services for each of the operational means: human resources and organisation; procurement; finance (budgeting, accounting, pay); internal audit; communication; information and ICT; accommodation, real estate and facilities (office equipment, reproduction, vehicles, catering, security). Support services should be strictly distinguished from the primary process of ministerial divisions. For this reason, legal advice is not considered as a support service although it is sometimes organised in separate units. (The preparation of laws and regulations belongs to the primary process of almost all policy development units and legal expertise is often integrated in the policy development units themselves). Similarly, the management of ICT systems, once they are developed and in place, belongs to the primary process of many policy development and policy execution units and should not be seen as a support service (this is not to say that there is no scope for sharing ICT systems belonging to the primary process of different policy development or policy execution units. One can think for instance of the base registers of population, businesses, land, vehicles, etc. that are used across government. However, sharing ICT systems in this sense should be conceived as a separate type of efficiency effort ["process sharing"], to be distinguished from service sharing).

8. This function existed traditionally in the Ministries of Foreign Affairs and Defence; it was created in some ministries in the first years of this century, e.g. in the Ministry of Finance/Budget and the Ministry of the Interior. It was then generalised with the RGPP.

9. This decision was taken in the 5th session of the Public Policy Modernisation Council (2011). See République Française (2011).

10. Decree N. 2009-300 of 17 March 2009.

11. Social development is interpreted as leading to additional employment of which 10% handicapped or long-term unemployed persons.

12. UGAP was created in 1985 and served as the central Procurement Office before the establishment of the SAE. UGAP served not only central government but also local government and the hospital sector. However, the use of its services was not obligatory (in contrast to those of SAE).

13. The committee also includes a representative of the Court of Accounts and an advising member from the UGAP.

14. See République Française (2011) for these initiatives.

15. The comparison focuses on the countries participating in the OECD Value for Money study for which relevant data have been collected in questionnaires in 2009 and 2010. These countries are: Australia, Austria, Canada, Denmark, Finland, France, Ireland, the Netherlands, New Zealand, Norway, Spain, Sweden and the United Kingdom.

16. Including all countries participating in the recent OECD study entitled "Value for Money" which is presently being carried out, except Sweden. In Sweden, the support services for the core ministries have traditionally been concentrated in one unit under the Prime Minister. The agencies (96% of employment in Sweden) had their own support services.

17. In many other OECD countries, the secretary-general has other functions, in particular the definition and implementation of government policies.

18. Fifteen percent is the current average of the countries participating in the OECD Value for Money study, but in the Nordic countries support service employment is below 10%.

19. Interview with the Budget Director.

20. This cut back target should not be confused with a general annual productivity cut on all operational expenditures as is in place in a number of OECD countries – see Chapter 2.

21. See OECD (2010a).

22. See annex to the draft *Loi de règlement* 2011.

23. The task of internal audit has been extensively studied and described by the associations of the accounting profession and been codified in norms, promulgated by the International Organisation of Supreme Audit Instituions (INTOSAI).

24. An assurance role implies that the internal auditor adds a declaration of reliability to the financial report of the ministry based on a financial audit of the accounts.

25. See, for example, OECD (2010a; 2010b; 2011).

26. This led to greater precision in the definition criteria, adapted to French needs. It was decided, among other things, that control of operators did not necessarily mean that central government would be represented on the entity's board of directors. As well, financing by central government does not necessarily mean funding through central government budget appropriations (it can also be done through public levies). In addition, it was recognised that the status of state operator could in rare circumstances apply to private non-profit institutions if the criteria were satisfied.

27. The LOLF distinguishes between cash appropriations ("*crédit de paiement*") and obligations ("*authorisations d'engagement*").

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Chapter 4

The RGPP and the quality of service

This chapter looks at the efforts made through the RGPP to improve the quality of services and to take account of user needs. The chapter begins with a review of innovations implemented during the RGPP reforms, especially those relating to online public services and one-stop shops. The second part is devoted to improvements in listening to users and taking their needs into account. The third part focuses on the governance of public sector investments and operations of IT systems. Finally, the fourth section draws a link between measures to improve public services and policy outcomes in two critical public policy areas: employment and services to businesses.

Introduction

Citizens expect high-quality public goods and services. A decade into the 21st century, demands for responsiveness and effectiveness are mounting as technologies open up unprecedented ways of reaching out and communicating.

The RGPP is an attempt to respond to those demands. The RGPP does not start "from scratch", although truly strategic efforts towards understanding and improving quality of public services across all levels of government in France only emerged over the past decade.

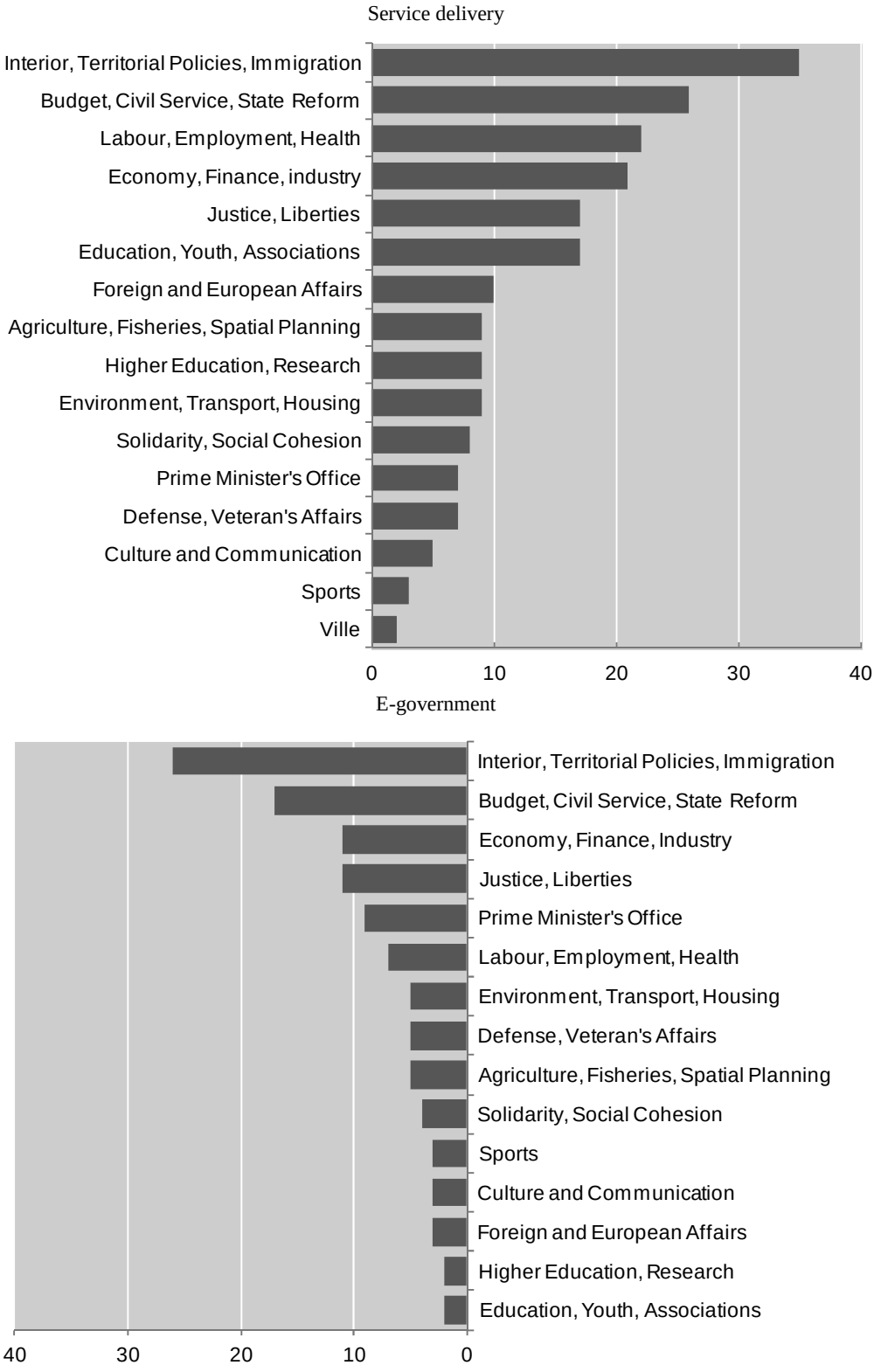
This chapter analyses advances in public service quality since the RGPP was launched in 2007. It looks at a cross-section of public services delivered by central government, in particular the efforts made to simplify procedures and to extend e-government services to a larger portion of the population.

The first section of this chapter looks at how the RGPP attempts to improve various aspects of public service delivery and user experience. It considers more particularly the online delivery modes for public services and how information and communication technologies (ICTs) are used as a complementary tool in multi-channel service delivery strategies. The second section then expands on how government is exploring new ways of gauging the needs and expectations of service users, but also how it is involving a greater number of stakeholders in defining what public services are delivered, and how. The third section focuses on the strategic use of ICTs to both optimise "back-office" processes and accommodate wider public policy objectives. The final section then discusses how the delivery of public services influences outcomes in the policy areas of employment and business promotion. These two areas have been a particular focus of the RGPP and have become even more important with the economic crisis.

4.1. Modernising services systematically by facilitating innovation

The RGPP efforts at improving public services and using ICTs to improve performance have focused mainly on the following ministries: Interior, Budget, Labour and Health, Economics, Justice (Figure 4.1). The Ministries of Education and Higher Education are implementing a relatively high number of service delivery policies, but only a small number of ICT-related projects. The strong focus on the Interior, Budget and Justice Ministries reflects in large part the key role these ministries play in delivering services to the general public and in the overall functioning of government. Reflecting the priorities of the RGPP for service delivery improvements, this chapter analyses primarily the measures taken in the realm of these ministries' competencies.

Figure 4.1. **Number of RGPP measures on service delivery and e-government, by ministry**



Note: The two categories of service delivery and e-government are not mutually exclusive. In fact, over one-third of service delivery improvements under the RGPP refer to the use of ICTs.

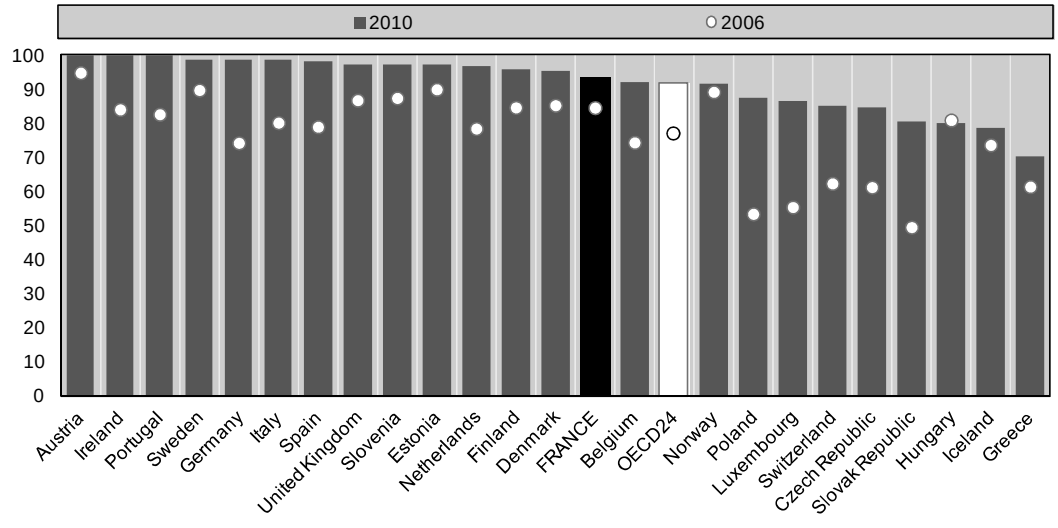
Increasing the availability of public services online

Availability

Around 80 measures within the RGPP relate exclusively to using ICTs for better delivery of public services. From a supply perspective, the availability of online services is around the average for European OECD countries (see Figure 4.2). High sophistication scores throughout mean that most of the 20 key public services as defined by the European Commission are available as advanced online services. Since 2006, France has improved its score considerably (from 81 to 93 points), thanks in part to individual RGPP measures such as:

- Simplified procedures in the case of lost or stolen documents. The procedure cannot be fully handled online yet, but a central point of entry is provided at *www.service-public.fr* to signal loss or theft and request re-issuance of documents.
- Central access to advice regarding enrolment in higher education. The website *www.admission-postbac.fr* offers pre-registration services to prospective university students. Some procedures can be entirely handled online whereas others require "offline" interaction.
- Personalised access to health care information and social security benefits. The website *www.ameli.fr* is linked to the online portal *mon.service-public.fr* and provides user-specific information about health care insurance transactions.

Figure 4.2. **Availability of e-government service in European OECD countries**



Notes: Scores can range from 0 to 100. Scores in the figure represent the average score of "sophistication" for all 20 online services surveyed. In general terms, higher sophistication of an online service means greater interactivity with the ultimate goal being full electronic case handling where possible. For further methodological notes, see source.

Source: Cap Gemini, IDC, Rand Europe, Sogeti and DTi (2011), "Digitizing public services in Europe: putting ambition into action", European Commission, Brussels.

Through the RGPP, France also put public services online that are not covered by the EU Benchmark Assessment. This is becoming important because most EU countries attain scores above 90, which makes comparisons less meaningful for the identification of action areas. Examples of public services that were digitised under the RGPP but are not part of the 20 key public services include the facility for citizens to register at the age of 16 years, a legal requirement in France. Other services have been announced, but are still being piloted or are not (entirely) available online:

- inclusion in electoral lists for local elections;
- informing sub-national governments of real estate sales as part of potential preferential purchase decisions by the government (*déclaration d'intention d'aliéner* and *droit de préemption*) (at the time of writing online declarations are only available for selected municipalities and only for registered notaries; individuals still need to send in forms by postal mail);
- the *TItre Payable sur Internet* (TIPI) is being piloted for payments of administrative fees. The Ministry of the Interior expects higher recovery rates and more voluntary payments from this measure.

The RGGP also helped improve sophistication for online public services to the business sector, a sub-set of the EU Benchmark Assessment. France's score in this part of the assessment was already quite high in 2006 (91 points). Since 2003, for example, firms in France can pay social security contributions via a single website, *www.net-entreprises.fr*, declare value-added taxes online and notify customs of import transactions (OECD, 2004c; 2004b).

An additional boost to the score was attained by 2010, bringing it to 95 points. This was no doubt made possible by the implementation of EC Services Directive 2006/123/EG, which instructs member countries to establish common procedures for the creation of companies in the services sector.

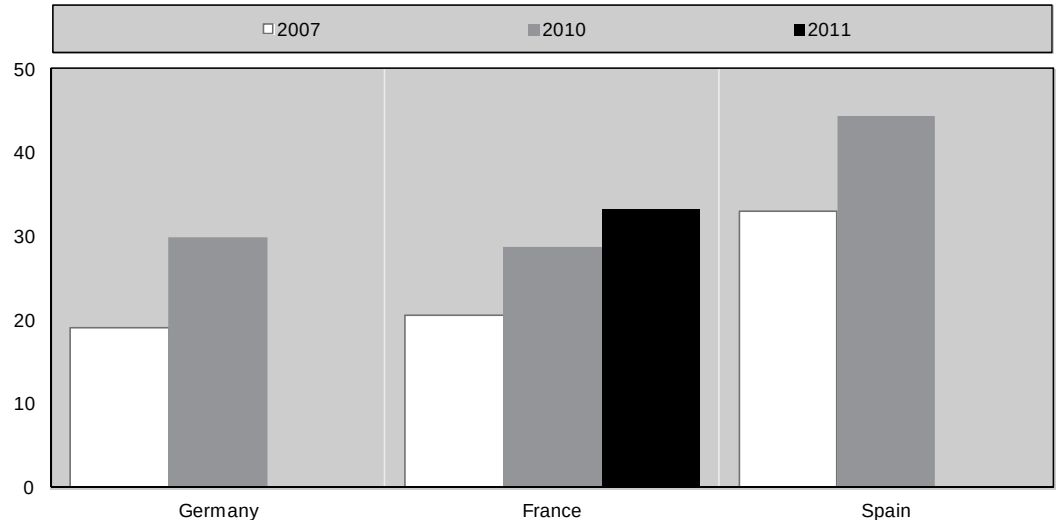
However, there is a discrepancy between the high ranking for online services offered to citizens and businesses and relatively low use and uptake rates (see below). There are still some structural challenges that seem to be frustrating greater penetration of government online services within the business community (see section entitled "One-stop shops").

Uptake and use rates

Use rates for selected online services have greatly increased since the introduction of the RGPP. Online tax filings are often used as an example to illustrate successful e-government initiatives and it seems that France has made great strides in this area (see Figure 4.3). The number of declarations online has reached 12 million.[1] Yet Spain, with a similar taxpayer basis, has higher uptake rates for online tax filings. This is partly due to major publicity efforts for online tax payments in the context of the national digital identity roll-out (*DNI electronico*) (see also Box 4.3).

Figure 4.3. **Online tax declaration**

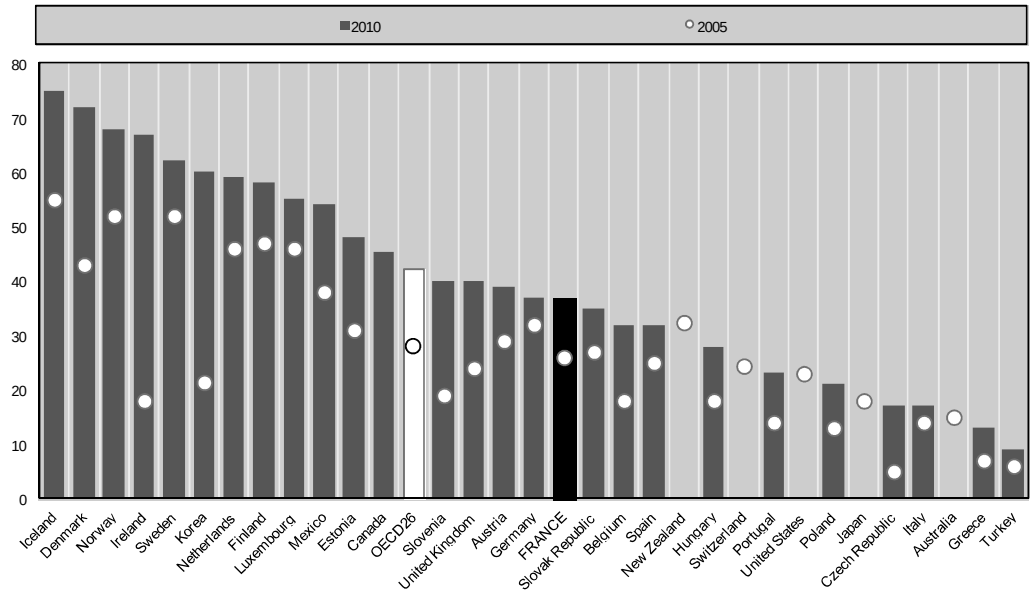
% of tax declarations filed online compared to overall tax declarations



Sources: OECD calculations based on data from Direction générale des Finances publiques (France); Agencia Estatal de Administración Tributaria (Spain); Destatis and Elster (Germany).

There is still room, however, for improving the uptake of online government services in general. This is illustrated by data on the share of citizens and businesses that use the Internet to interact with public authorities. Despite great advances in recent years, France finds itself below the average of OECD countries for both citizens and businesses (Figures 4.4 and 4.6). The Nordic OECD members, as well as Ireland, Korea and the Netherlands, are examples of very high uptake rates for online government services among the population (see, for example, OECD, 2010b).

Figure 4.4. **Proportion of individuals using the Internet to interact with public authorities**



Source: OECD (2011), *Government at a Glance 2011*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/gov_glance-2011-en.*

In terms of popularity of individual services, statistics on visits to popular government websites reveal specific potential for improvements. The site *www.service-public.fr* is a central point of entry for all administrative procedures, attracting over 7 million site visits per month, which makes it the most popular government website along with *legifrance.gouv.fr*, a database for legislative texts (*Dispositif Stat@gouv*).

At the same time, surveys suggest that over 50% of the population has never actually heard of the website, although it was launched in 2000; and only one in five adults reports having ever used it (TNS Sofres, 2011). While online offers are not supposed to replace all public services, a lack of effective communication about the benefits of using the Internet for interaction with government can considerably reduce the reach and impact of public services. Efforts are therefore needed to publicise of the existence of electronic public services and their benefits (see below).

To this end, data collected by government websites and their operators could be put to better use. Visitor numbers as mentioned above are available. However, more detailed information is missing on the time visitors spend on websites, the information they look for and the transactions they conduct. And although it can be assumed that individual agencies undertake some sort of Internet traffic analysis to their websites, public availability of such data might make it easier for third parties to analyse and compare success factors of individual government web offers.

Awareness and access

A precondition for greater uptake is awareness of the existence of online public services. Two agencies can be considered as important in this regard: the General Directorate for the Modernisation of the State – DGME (*Direction générale de la modernisation de l'État*) – and the Directorate of Legal and Administrative Information – DILA (*Direction de l'information légale et administrative*). The first was founded in 2005 and has been the principal catalyst for public service improvements within the RGPP. The latter results from a merger of *Journal Officiel* (the official government gazette) and *La documentation française* (the government's publishing house). The service gateways operated by each of the two institutions are indicated in Table 4.1: web portals for (information on) administrative procedures (*mon.service-public.fr*, *pro.service-public.fr*, *service-public.fr*), a telephone hotline for the public administration (*3939 Allo service public*) and a web forum for discussion of public policies and issues of public interest (*vie-publique.fr*).

Available statistics point to relative success of these centralised service offers:

- visits to *service-public.fr* almost doubled between January 2008 and 2011;
- over 2 million user accounts had been created on *mon.service-public.fr* as of July 2011;
- the hotline "3939" received over 1.2 million calls during 2010.

At the same time, visitor and call statistics cannot tell the whole story. They do not reveal whether users looking for specific public services actually use these channels. It has been mentioned that surveys indicate that still less than 50% of the adult population have ever heard of *www.service-public.fr*. Similarly, only one quarter of the population appears to know the national public administration hotline "3939" (TNS Sofres, 2011). And while the low awareness of "3939" can be explained by its novelty, the website *www.service-public.fr* dates back to 2000.

Table 4.1. **Popular public service gateways operated by DGME and DILA**

	DGME	DILA
Service-public.fr		X
Mon.service-public.fr	X	
Pro.service-public.fr	X	
Pme.service-public.fr		X
3939 Allo service public		X
Vie-publique.fr		X

The mentioned survey suggests that awareness is particularly low among people who are not regular Internet users. This, if confirmed, would illustrate the difficulty in achieving the government's ambition of delivering public services to **all** citizens, including marginalised groups such as the elderly, the long-term unemployed, and the less educated. The RGPP (as well as upcoming e-government plans such as *France Numérique 2020*) therefore faces the challenge of bringing more people online, i.e. increasing Internet penetration rates and improving IT skills (see "Access to services" below), as well as making public services more relevant and accessible to all segments of the population.

It therefore seems that communications policies for e-government measures could require closer examination. On the one hand, communications campaigns to promote e-government can be a useful tool, along the lines of the Danish government's "eDay" (OECD, 2010b). On the other hand, there might be structural reasons why online government services are not being effectively publicised. For example, the ways in which DILA and DGME co-exist and work in the "public cyberspace" raises questions about potential synergy losses. A recent report commissioned by the French government supports the notion that the benefits of the fragmentation of services across the two institutions are not obvious (Riester, 2010). That report calls for a regrouping of the *www.service-public.fr* and *mon.service-public.fr* sites, a move planned for 2012.

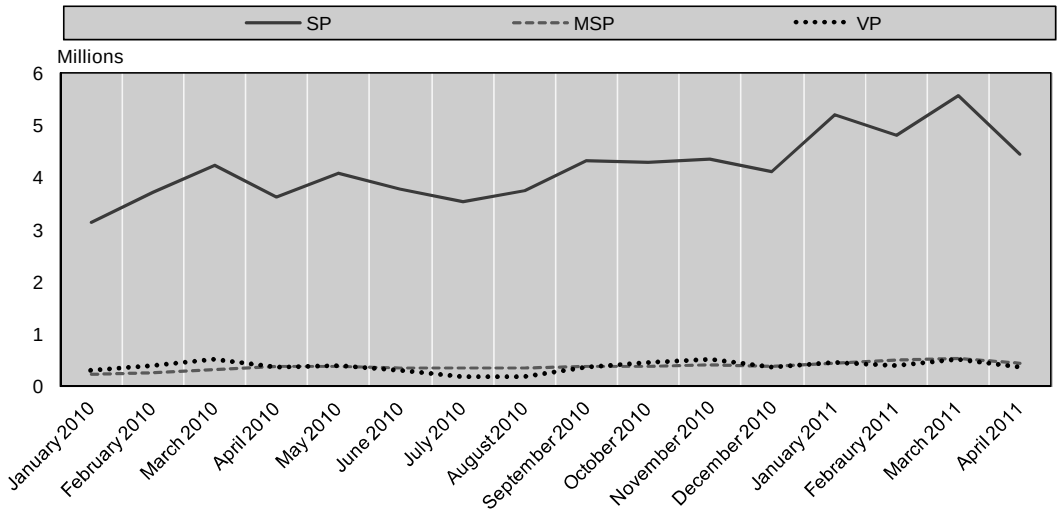
In conceptual terms, the main difference between the two agencies could be termed as that between a content provider (DILA) and a service provider (DGME). There should thus be no significant overlaps of mandates. However, practical problems arise due to the multiplication of websites with similar target audiences but low visitor numbers (see Figure 4.5). The question arises whether the popular web portal *www.service-public.fr* might not be used more strategically across all areas of public service delivery.

Broadening access

Structural issues relating to access can hamper uptake of public services – online as well as "offline". Governmental multi-channel delivery strategies can help reach populations that are diverse in age, gender, socio-economic status and Internet skills. In fact, not all public services are suitable for online delivery and not all segments of the population are willing and ready to access online services. Conversely, other services lend themselves readily to electronic delivery, and this would help reduce their costs.

Figure 4.5. **Popularity of selected French public service web portals, 2010-2011**

Number of visitors



Notes: SP = *www.service-public.fr* (DILA), MSP = *mon.service-public.fr* (DGME), VP = *www.vie-publique.fr* (DILA).

Source: OECD, based on government of France, "*Dispositif Stat@gouv*" (July 2011).

Measures in the RGPP to put services online have also served to reduce access barriers. The RGPP has relied on existing measures such as a 2005 law mandating all public agencies to follow usability guidelines for barrier-free access to online services. In 2009, the DGME published a set of guidelines (*Référentiel général d'accessibilité pour les administrations*, RGAA), to be implemented by all central government websites by May 2011 and all sub-national government websites one year thereafter. Evaluation of the measure is difficult because information on its status is not publicly available. A look at practices in Denmark provides a good example of transparency in this area: the Danish government has conducted comprehensive checks of websites' compliance with accessibility standards in 2008 and 2010. All results are publicly available and allow close monitoring and benchmarking of individual agencies' efforts (see *http://webtjek.itst.dk*).

France compares well among OECD countries in terms of the number people with access to the Internet and sufficient skills to use it. Close to 35% of the population has fixed broadband connections and the country ranks sixth in the OECD (mostly due to the popularity of "bundled" offers where subscribers receive TV, voice, data and sometimes mobile services as part of a single commercial contract). Penetration of wireless broadband services (especially 3G) is growing fast, although the current share remains slightly below OECD average (see Annex O and OECD, 2011e).

Nevertheless, some gaps in access and skills persist and need to be dealt with in order to reach a wider audience for online government services. Challenges remain for expanding coverage to areas that are underserved by fixed broadband facilities, for commercial or technical reasons (e.g. sparsely populated or mountainous areas of the country, which has the biggest land area in the EU). The government expects to remedy this situation by providing 100% of the population with the possibility of high-speed Internet access by 2025 (national high-speed broadband programme "*Très haut debit*").

There are still gaps regarding the PC and Internet skills of older users, less educated users, and users with disabilities. These can have repercussions on access to public services. It has been noted, for example, that the online services of *Pôle emploi* are not sufficiently responsive to the needs of some among the long-term unemployed, who often have insufficient PC and Internet skills (CESE, 2011).

Exploring complementary channels for public service delivery

Access barriers can be lowered through wider distribution of Internet connections and improved skills. But there is also an opportunity for supply-side initiatives, notably by expanding the range of channels through which public services are delivered. International good practices illustrate how governments use mobile Internet and the new digital television infrastructures to reach less "PC-savvy" parts of the population. Moreover, there is potential for collaboration in service delivery with non-government intermediaries, e.g. postal offices, supermarkets, banks. The following paragraphs describe some of the existing practices.

Mobile government

In response to the growing popularity of smartphones and tablet computers with mobile Internet access, the United States government has chosen to provide a number of government information and services as "apps" (i.e. software for advanced mobile computing devices such as the iPhone, iPad, Android phones, Blackberry phones). The website *http://apps.usa.gov*, operated by the United States GSA, offers 70 such apps for download. Outside the OECD, countries such as Kenya have accumulated several years of experience in mobile banking. The government is now building upon the success of private sector mobile services to provide public services too, e.g. tracking the status of passport requests via SMS. These developments are part of a wider desire by governments to utilise the steep increase of mobile connectivity to deliver government information and services to all parts of the population (OECD, 2011d).

Digital television

The way televised content is produced, provided and consumed is changing drastically – mainly from a broadcast-only model to one of high(er) interaction. In particular, the switch-over from analogue to digital transmission of television signals now taking place across Europe and in many other countries is opening up new ways of interaction between TV viewers, content and service providers. As a result, a new generation of commercial service providers is using the television to deliver, for example, video-on-demand and Internet access via the TV.

Governments are still hesitant to become service providers via this channel. But like the mobile channel, television is interesting because of its near-ubiquity and the fact that it can help overcome some traditional barriers to accessing Internet services. This is because the TV is, in principle, a device whose familiarity transcends generations, gender and socio-economic status. Given the novelty of using this technology for public service delivery, there is still a lack of experience of providing public services via television and governments surely need to be cautious of potential pitfalls. A national pilot programme of providing *DirectGov* access in the United Kingdom via digital TV did not produce the expected uptake and was discontinued in early 2011. In spite of this experience, a different service launched by a group of city and county councils, "Looking Local",

continues to provide location-based information such as public transport schedules, services opening times and job vacancies via digital television (see Box 4.1).

Box 4.1. **Searching for jobs on your TV: "Looking Local" in the United Kingdom**

Looking Local's ambition is to provide digital services to an estimated population of 10 million adults that have never used the Internet (according to a report published by national "Digital Champion" Martha Lane Fox). Many of these users can be considered as being structurally disadvantaged because of their age or socio-economic status. The service was launched as part of the United Kingdom's e-government agenda in 2004. It was founded by a group of city and country councils under the leadership of Kirlees Council, which now operates the service.

Looking Local delivers its services via the intermediation of commercial digital TV providers such as Virgin Media, Sky, YouView. This means TV viewers can access an interactive service via their existing TV set and navigating with the remote control. A simulation of the TV service can be found at *http://lookinglocal.gov.uk/site/tour/tv.html*. Moreover, smartphone applications exist, e.g. "Report It" which allows individuals to report issues such as potholes, rubbish or failing streetlights.

User statistics appear to testify to relative success: over 22 million visits were made to the services offered during a 12-month period from November 2009 to November 2010. One of the most solicited offers is the employment search based on the Jobcentre Plus database. TV viewers can look for job offers locally or nationally. In 2010, this service was used by over 200 000 TV viewers. A survey run by the operators found that 68% of respondents had no broadband Internet subscription and therefore welcomed the opportunity to search for jobs via the TV-based service.

The service is not-profit, but operates on a profitable basis. Its success can in part be explained by the fact that it has developed business cases for public content and service providers. It integrates public services and content from over 70 local councils plus national public service providers such as the NHS, Transport Direct and *DirectGov.uk*. Further examples of public services offered via Looking Local include:

- Timebanking allowing people on a local level to give and receive help via an appointed local "time broker".
- Piloting telehealth and telecare services as part of the EU-funded "T-Seniority" project.
- Integration with Birmingham's Online Schools Admission service with the aim of making all admissions to primary and secondary schools electronic and reduce costs of bureaucracy.
- Patient Opinion integration where patients can read and write opinions on local health services.
- DisabledGo for detailed access guides via TV and mobile phones.

Source: Publicly available information by Looking Local.

Non-government intermediaries

Governments can reach wider parts of the population and reduce delivery-related costs by complementing existing direct delivery modes with those of intermediary service devices and providers. There could be potential in France to provide government service terminals in frequented places such as shopping malls or postal offices (Conseil d'État, 2011). Moreover, non-profit associations and the private sector can be effective intermediate providers of public services. The Italian project *Reti Amiche* provides good

practice in leveraging the potential for diverse public-private partnerships in delivering public services (see Box 4.2).

Box 4.2. **Resident permits at the postal office: the Italian networks of friends (*Reti Amiche*)**

The Italian Ministry for Innovation in the Public Administration oversees a nationwide project that aims to make public services available to a wider audience by partnering with non-government intermediaries and integrating diverse access devices.

The strategy is based on co-operation with intermediary access providers that include banks, postal offices, supermarkets, railway stations, lottery outlets. The ministry also partners with the private sector in "*Reti Amiche* on the job", which encourages companies to facilitate employee access to e-government services at the workplace. And while the Italian postal service is by far the partner offering the widest range of public services, private sector companies such as IBM, Vodafone, retail chain Legacoop and several banks are also partnering. Complementarily of access channels and devices is a key component of *Reti Amiche*. Users can access diverse public services at over 15 000 ATMs nationwide as well as specialised service terminals and face-to-face counters.

By the end of 2010, over a year of experience had been gathered. Reporting on the initiative highlights the most popular services and their providers:

- making specific tax payments, e.g. for domestic workers (at postal offices): 3 500 000 transactions;
- requesting residence permits (at postal offices): 1 300 000;
- *Emissione e pagamento Voucher lavoro occasionale* (at postal offices and tobacco shops): 2 200 000;
- sending certified electronic messages to the public administration (at postal offices): 1 000 000;
- *Pagamenti buoni ciliaci* (at supermarkets): 210 000 transactions.

Source: information by the Ministry for Innovation in Public Administration; OECD (2010), "Modernising the public administration. a study on Italy", OECD, Paris.

The impact of one-stop shops is different across service categories

One-stop shops are means to reduce access barriers to public services and simplify interaction of citizens, businesses and other stakeholders with the public administration. The RGPP builds upon a number of programmes over the past decades to simplify administrative procedures for these diverse user groups, including the creation of the *Commission de simplification administrative* (COSA), the 2004 programme *Mesure et la réduction de la charge administrative* (MRCA), and the 2005 creation of the DGME.

The RGPP considerably advanced the public administration's capacity to identify and pinpoint specific difficulties users are facing when dealing with the public administration. This includes conducting large user surveys, the use of customer journey maps, and the slowly increasing attention paid to civil servants as a source of innovation and reform (see the section entitled "Beyond delivery"). Some of the over 400 RGPP measures illustrate this improved understanding of the complexities faced by users:

- ongoing development of a unique applicant file and number for social housing applications (*logement sociale*), which is expected to facilitate the exchange of information and documents between the applicant and various institutions;
- a simplified application procedure for resident permits and visa with the *visa long séjour valant titre de séjour* (VLS-TS). The procedure can now be entirely done while still in the country of origin;
- simplified procedures of registering new and used personal vehicles at point of sale and in partnership with car dealers, insurance services, etc. (see Annex M).

Beyond the individual measures mentioned, the RGPP has helped develop single points of access to government information and services. These so-called "one-stop shops" provide convenient access to public services in that they offer an integrated set of services without requiring knowledge about internal government organisational structures.

One-stop shops come in the form of physical offices, phone hotlines and websites. Physical one-stop shops were created in France in the form of *Maisons du service public* following experience in other European countries (DATAR/EUROPA, 2004). The Public Finances Direction (*Direction générale des finances publiques*, DGFIP) is a "one-stop shop" created explicitly under the RGPP. Before 2008, two separate agencies dealt with calculating tax amounts and collecting these taxes. This posed several inconveniences for users, e.g. when individuals requested corrections to their tax calculation. Since the merger, the DGFIP is the single entry point for users on tax matters.

The following paragraphs look in more details into the creation of specific RGPP measures to create one-stop shops. Key projects have been:

- *Mon Service Public* – a central web portal for citizens and residents;
- 3939 – the public administration hotline;
- ongoing efforts in providing simplified entry points for businesses.

Web portal "Mon Service Public"

The web portal *mon.service-public.fr* (MSP) was created in 2009 by a Prime Minister's Decree and is operated by the DGME. It is set-up as a sub-site of France's most popular public administration website, *www.service-public.fr*, although it follows an entirely different concept, has a different design and provides a different set of services. This, plus the fact that the two web portals are run by different agencies (DGME and DILA, respectively) has potential implications for visibility and uptake of MSP as discussed in the section on "Awareness" above. A decision has been taken to merge the *www.service-public.fr* and *http://mon.service-public.fr* portals in 2012. The future site will be run by DILA. This decision follows the recommendations of the Riester report (2010).

The added value of this portal is that it allows users to access different public services using a single account (i.e. user-password combination). User records held in the MSP serve to identify a user in the system of a public service provider. In this way, MSP helps users to comfortably access information on health care payments and reimbursements (operated by the national health care insurance) or to register for the mandatory national census at the age of 16 (under competence of the Ministry of Interior). An integration

with the internal tax revenues system is planned for 2012, meaning that users will be able to declare taxes using their MSP account.

The choice of a national public service portal requires strategic partnerships between the DGME and specialised agencies that maintain authority over their respective databases. The DGME is a pivotal player in this set-up as it operates the middleware and provides the technical standards to connect decentralised systems. This means that databases remain entirely "as is" and are not harmonised or consolidated.

However, closer integration of databases might be envisaged at some point in order to maintain a consistent set of information and to avoid repeatedly asking users for information they already have provided to another part of the public administration.[2] Experience in OECD countries is interesting. The German government's IT agency (BIT) has developed an IT reference model for this purpose (*Deutsches Verwaltungsdiensteverzeichnis*, DVDV). The system allows for databases to be maintained, operated and accessed at local sites. Any new or edited information, however, passes through a central gateway in order to ensure data complies with central data quality standards and is coherently replicated across different databases. The reference model is being used in Germany's registry system for citizens and residents. Databases are held by the *Länder* governments, but changes are made using a central IT system. Information about births and deaths, for example, are automatically replicated to the databases of national pension insurance operators.

In the longer run the discussion about the role of MSP is unlikely to escape decisions about strategic directions for the portal. E-government plans are advancing fast nationally (consultation on *France Numérique 2020*) and internationally (e.g. STORK project), which requires some foresight as to potential future services that might have to be integrated into the portal. Single sign-in services cannot avoid interaction with these emerging realities in the area of electronic identification and authentication. Also, at the time of writing, a draft law to reform the national identity system (*Proposition de loi relative à la protection de l'identité*) has passed a second reading in the national Senate. It *inter alia* proposes the optional acquisition of an electronic identity by individuals.

Introduction of e-ID and single sign-on systems for public services entail highly complex design and implementation efforts. France would do well to follow developments in this direction in other OECD countries closely. To date, most countries have followed existing practices in assigning national ID, simply re-doing the same things online, rather than changing to a fully online system (OECD, 2011a).

France could also draw upon experiences from other countries in order to create synergies and linkages between single sign-on and e-ID systems in order to make them complementary, provide added value to users and keep them resistant to security problems (see Box 4.3 and OECD, 2007). At the same time it must be stressed that creating such synergies is subject to the provisions of Law 78-17 of 6 January 1978 on computerisation, files and freedoms (the "*Loi informatique et libertés*").

Box 4.3. **The link between one-stop shops, single sign-on and digital identity management**

The OECD has surveyed national digital ID projects and single sign-on portals such as France's *Mon Service Public*. The two topics are linked in that both are or can be used to increase uptake of e-government services, to provide incentives for bringing high value-added commercial services online, and to facilitate cross-border provision of public services, e.g. to expatriates or overseas investors.

Single sign-on has the capacity to "reduce either or both the number of digital keys or credentials Internet users have to manage and the number of digital keyholes or gateways they are facing when they try to access multiple government services online" (OECD, 2011a). Besides France, a number of countries are implementing single sign-on services for public services, and several of them are linking or are planning to open the service up to commercial services providers too. In most cases this opening up comes with a wider plan of introducing digital ID management systems (in the form of national ID cards, secondary digital ID cards or non-physical IDs such as software). But with wider ranges of application, considerations of security and handling user data become more important. The following examples show that digital identities and single sign-on can indeed increase e-government use and facilitate online transactions of all sorts – provided that data security and privacy considerations are integrated from the outset:

- **Austria**, where the national citizen service portal *www.help.gv.*at provides single sign-on services via the *Bürgerkarte* (national digital ID). Besides authentication *vis-à-vis* the government, the citizen card also functions as authentication for commercial services, notably electronic banking. In turn, mutual authentication measures are being put in place so that users of online services are assured of the identity of the service provider. The Austrian government also pilots procedures for accepting foreign digital IDs as a means of authentication for online public and private sector services (in the context of the EU STORK programme).

- **Denmark's** single sign-on *NemLog-In* is linked to the citizen portal *www.borger.dk*. The Danish government has set itself the aim of making all self-service transactions between citizens and the public sector available through the use of the *NemID*. And it also reserves the possibility of extending it to private sector transactions.

- In **Estonia**, uptake numbers are high because eID is mandatory for online voting in communal and national elections. However, the Estonian government has succeeded in making the national digital authentication relevant to citizen's everyday lives through use for public transport, swimming pools and cultural institutions (*www.pilet.ee*). Moreover, banks, telecommunications operators and utilities are linked to the single authentication system enabling the citizen a high comfort and great incentives for uptake of the citizen services provided by the government.

- The **Korean** government attempted to respond to ever increasing use of the national Resident Registration Number (RRN) for online transactions by introducing a complementary i-Pin. The main idea was to create an authentication mechanism that would significantly reduce the amount of damage incurred in case of a breach. However, the new system did not have high uptake rates and people continued using RRN predominantly. An apparent theft of over 30 million RRN-based records from Nate and Cyworld, two commercial online services, could therefore lead to significant cases of identity fraud.

Source: OECD (2011), "Digital identity management for natural persons. Enabling innovation and trust in the internet economy: guidance for government policy makers", OECD, Paris; information provided by national authorities.

Public administration hotline "3939"

The RGPP accelerated development of the single national phone number for individuals to get in contact with the public administration (*Allo Service public* 3939). Public administration numbers were pioneered across Belgium, in Malta and the Netherlands; outside of Europe the *1-800 O Canada* service and New York's *311* were early good practices. In France, public administration call centres had existed earlier (e.g. *Centre interministeriel de renseignements administratifs*), but were dispersed and very heterogeneous in terms of service range and quality. With the national e-government plan ADELE (2004-2007) these service numbers were gradually integrated under a common number "3939", operated by the DILA.

Functioning and feedback from users provide an overall positive picture. The RGPP has led to longer opening hours and an expanded set of services available over the phone. A dedicated call centre with initially 70 hotline agents replaced the existing network of CIRAs in 2010 in order to deal more efficiently with specialised information requests. The hotline receives over 1 million calls per year and surveys indicate that users are satisfied with the responses received – satisfaction rates of over 98% seem to have become the norm in each survey since 2008. Most questions addressed to the hotline relate to administrative procedures to obtain official documents and certificates, labour issues, information on environmental and immigration issues. Questions on consumer protection and fiscal issues are forwarded to hotlines of line ministries or their specialised agencies.

It seems that the French hotline has successfully filled a gap in the ways individuals can reach their public administration. Phone contact is an important complement to online services because of the national reach, comfort and familiarity. Annex L shows that the French hotline "3939" compares relatively well with European hotlines in individual service quality dimensions, e.g. opening hours. But international comparisons also highlight potential areas for improvement to make this service an effective channel for interaction between government and citizens:

- Ensure consistent approaches in public service delivery by phone. It might be important to co-ordinate communications and content strategies for "3939" with those of other public administration phone numbers, notably "3949" for *Pole emploi* and those oriented towards the business community (see below). While differences between individual hotlines might be evident to the experienced observer, the general population might find a proliferation of "39xx" phone numbers for different public administration services confusing.
- Additional services could be established for the hearing or speaking impaired. Alternatives to using the "3939" via telephone should be established and inspiration can be found in several European countries that use the hotline simultaneously to video calling and SMS-based services.
- Multi-language capacities should be increased to expand the reach of the hotline. The notoriety of immigration and residence permit issues with callers poses the question whether some basic information should be available in languages other than French. In fact, unilingual hotlines like in France are a minority in the EU. Most hotlines in the EU provide information in the official language plus English and some countries offer assistance in more than one foreign language: Belgium, Denmark, Greece, Hungary and Italy.

- Multi-language access capacities can also be important with respect to inhabitants of geographical areas bordering with Germany, Italy, Switzerland and Spain (and maybe Andorra too). Working, living and studying in these geographical areas crosses national jurisdictions, which leads to particular information requirements on issues such as taxation, labour, education. Besides language issues, greater co-ordination of public services offered via the telephone in bordering countries could improve coherence in cross-border service delivery and lay the groundwork for EU-wide co-operation between national public administration hotlines.

One-stop shops for businesses

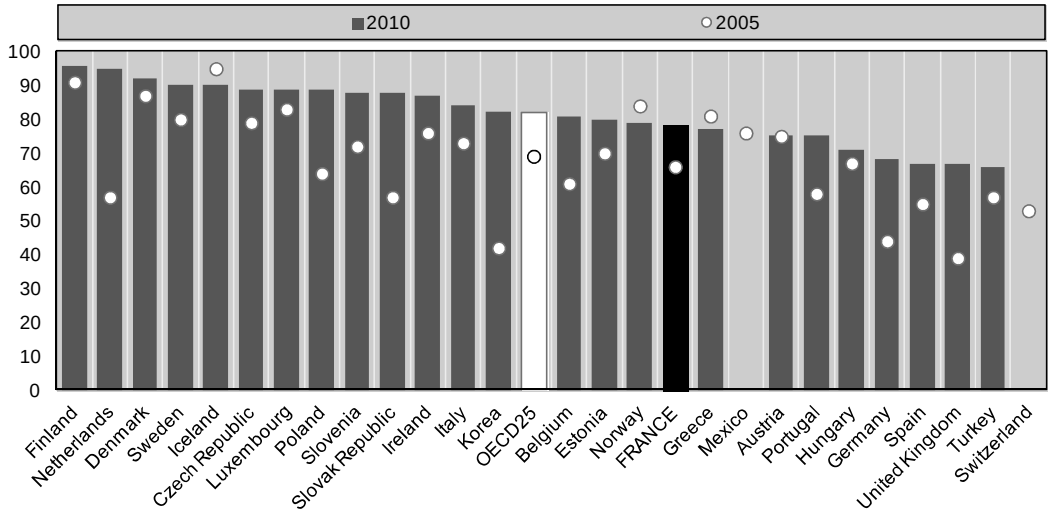
One-stop shops for businesses have been on the government's agenda for a while. Since the early 2000s, several measures have been introduced to make tax and social security payments easier for companies of all sizes (OECD, 2004c). Despite considerable efforts, there is scope for greater coherence in the delivery of public services in line with government objectives for promoting growth and scaling of businesses (see also Section 4.3).

There is no single integrated one-stop shop for businesses operating in France today. In fact, the RGPP and other recent government measures might have contributed to amplifying an existing fragmentation of websites oriented towards businesses. Along with *mon.service-public.fr*, two web portals for entrepreneurs were created under the *www.service-public.fr* umbrella: ***comptepro****.service-public.fr* (for all businesses) and ***pme****.service-public.fr* (for SMEs specifically). The former is operated by the DGME, the latter by the DILA. And while a distinction of e-government services offered to SMEs and to the overall business population might be conceptually valid, in practice it risks creating a duplication of efforts, especially if the two web portals are operated by different agencies.

This fragmentation might not help increase uptake of online public services, which remains below the OECD average (see Figure 4.6). Moreover, in 2011 the Ministry of Economy and Industry launched *www.guichet-entreprises.fr* in order to comply with the European Services Directive. The portal is supposed to be an integrated one-stop shop for business creation. In reality, however, the website competes with a plethora of official and non-official websites when users search for keywords such as "*création enterprise*" on the web. Potential business creators therefore face the challenge of understanding the advantages and relevance of alternative web offers such as:

- information catalogues for business formalities by the national statistical office INSEE: *http://annuaire-cfe.insee.fr/AnnuaireCFE/jsp/Controleur.jsp?service=accueil*;
- website by the National Agency for Firm Creation (*Agence pour la création d'entreprises*, APCE), *www.apce.com/pid209/mon-projet-en-ligne.html*;
- websites by chambers of commerce and industry, e.g. *www.cfenet.cci.fr*, *www.cfe-metiers.com*;
- specialised websites for registering with the social security system such as *www.lautoentrepreneur.fr* and *www.net-entreprises.fr*.

Figure 4.6. **Proportion of businesses using the Internet to interact with public authorities**



Source: OECD (2011), *Government at a Glance 2011*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/gov_glance-2011-en*.

Other delivery channels also require strategic alignment in order to provide a coherent set of public services to the business sector. For example, phone hotlines for businesses today include "3935", operated by the DILA, and "3995", operated by *Pole emploi*. Physical contact points include *Ubifrance* for international trade and investments, and Oseo for innovation and R&D promotion. At the same time, the RGPP created physical "one-stop shops" to access central government services in the French regions: the *Directions régionales des entreprises, de la concurrence, de la consommation, du travail et de l'emploi* (DIRECCTE) for economic policies, business promotion, consumer and employment services and the *Directions régionales de l'environnement, de l'aménagement et du logement* (DREAL) for environmental services and regulation. It will be important to ensure that services and actions by these agencies do not result in significant gaps or overlaps. Reflecting good practices in OECD countries (see Box 4.4), the following measures could be considered useful to develop a more strategic approach for public service delivery to businesses:

- Clarifying and co-ordinating the services offered via individual websites destined at firm creators. This is in line with reports highlighting the need to consolidate existing government websites (Riester, 2010).
- Expanding and clarifying the role of Internet one-stop shops. Examples from Australia and Canada illustrate how web portals blend transaction services, e.g. registering a business, with pure information services, e.g. overview of permits required for business operation and expansion.
- Expansion of services should aim to be comprehensive, i.e. integrating services offered by specialised government agencies (Ubifrance, Oseo) as well as agencies acting on behalf of the central government in the regions (DIRECCTE, DREAL).

Box 4.4. **One-stop shops for businesses in Australia, Canada and Mexico**

One-stop shops are an important complement in supporting domestic business developments. The Internet can be instrumental when it comes to addressing the needs of potential entrepreneurs, e.g. through online creation of enterprises. But the more successful business-oriented one-stop shops in OECD countries go further and encompass a wider range of services targeting **all** enterprises, as opposed to recent start-ups only (and they show that not all services need to be fully transactional either):

In **Australia**, the portal *www.business.gov.au* was established in 1997 to take a global approach to public services towards the business community (OECD, 2010i). Apart from the formal registration process of start-ups, it also provides information and guidance on questions related to growing a business: managing finances, acquiring loans, promoting the company's goods and services. It also includes information on fair trade and environmental management as a way to support "green growth" plans of businesses. Moreover, the Australian government is undertaking a major reform of all reporting procedures from business to government. The Standard Business Reporting (SBR) will provide Australian businesses a single sign-on system (AUSkey) for reporting obligations to a variety of state agencies, e.g. activity, financial and tax statements, mandatory business surveys. Simplification of these services can be instrumental in complementing framework conditions for business development and promotion (Section 4.3).

Canada's web portal *www.businessregistration-inscriptionentreprise.gc.ca* provides online forms for business registration since 2006. But it goes beyond that to also provide information to prospective entrepreneurs about business plans, hiring, insurances and other relevant topics. It thus provides prospective entrepreneurs an overview of business opportunities and risks to consider and ways to obtain more detailed information, e.g. about current and future export opportunities. Moreover, the national web portal BizPal holds comprehensive information about all permits required for business start-up and continued operations. For a total cost of CAN 9 million for Industry Canada so far, the portal has already achieved significant reach within the business community. While most processes are not transactional, its main advantage is that it centrally gathers all relevant regulatory demands of the national and sub-national level for things like construction, export, hiring. Users can save documents in an electronic "briefcase" for later use (Industry Canada, 2011).

Mexico's *www.TuEmpresa.gob.mx* is a good practice of a full online service for business creation. Introduced in 2009, it covers a wide range of processes, including payments of fees, and is integrated with the national system for trademark applications (OECD, 2011i). The portal was introduced in the context of wider reforms to reduce administrative burdens for entrepreneurs and seems to have been successful. In the World Bank's 2011 *Doing Business* ranking, Mexico ranks 67th for creating a business, up from 90 only one year ago. The number of days required to start a business were cut by half between 2009 and 2010; they have been further reduced to only nine days in 2011.

4.2. An increasingly systematic way of taking into account user needs to improve quality

Through the RGPP the French government advanced to unprecedented levels in evaluating the quality and performance of public service delivery. This includes a stronger reflection of user needs by considering the user a "client". Efforts are also being taken to gauge ideas for improvement from within the public sector, although these could possibly be applied more systematically throughout. The DGME plays an important role in promoting innovative tools more widely so that individual organisations and agencies can benefit from their use for perpetual improvement.

Establishing service delivery goals

France has caught up since the year 2000 in terms of measuring the quality and performance of public services. In this respect two distinct government actions point in the same direction of using more objectives- and indicators-based evaluation of quality: *i)* the user-oriented Marianne Charter; and *ii)* the internal process-oriented central government budget reform (LOLF). The RGPP catalysed the use of both systems across wider parts of the public administration. But the RGPP also developed a new set of indicators for public service performance and quality, the *Baromètre du service public*. The following paragraphs discuss the achievements made by these individual measures and potential ways to improve certain aspects.

La Charte Marianne

The **Marianne Charter** was introduced nationwide in 2005. Following pilot operations in several French regions, the then Ministry of Public Administration and State Reform generalised its application. Somewhat inspired by the United Kingdom's Citizens' Charter launched in the 1990s, the French charter represents the biggest cross-government attempt so far at setting user-oriented objectives for service delivery by individual institutions.[3] Organisations operating under the Marianne Charter commit to making objectives and indicators publicly available, to providing complaints mechanisms and to publishing the results of evaluation and improvement programmes. The ways in which the French scheme tops the United Kingdom's Citizens' Charter is by formulating a set of specific and measurable indicators of service quality, e.g. response times to written requests and e-mails, opening hours, call answer rates, accessibility of physical offices for persons with reduced mobility.

Following positive feedback on the Marianne Charter, the French government chose to intensify this effort as part of the RGPP. To this purpose, the DGME created a reference manual for implementation and established the Marianne Label. The label is accredited by a third-party organisation for three years after which it can be renewed, provided that conditions are still met. The aim was to have a comprehensive roll-out across all central government agencies that deal directly with the public by the end of 2011 (which means over 6 500 individual sites). However, a publicly available monitoring tool is not available, making it difficult to evaluate and compare the roll-out status in individual organisations.

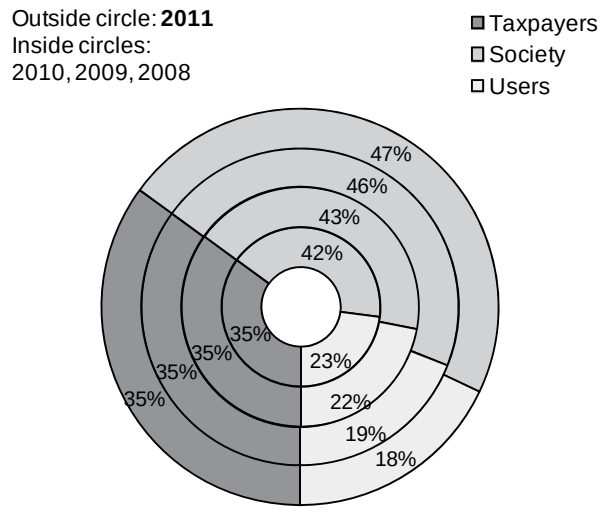
The LOLF

The *Loi organique relative aux lois de finances* (LOLF) in turn, is a project destined at improving the accountability of budgeting and programme implementation in France (see Box 1.1).

The LOLF contributed greatly towards the use of quantifiable indicators for evaluating government performance. The three categories of objectives for budget execution under the LOLF are in line with those established in the methodological discussion in Annex K: effectiveness = "citizen, i.e. society; quality = user; efficiency = taxpayer. By including effectiveness indicators, the LOLF can go a long way in assessing the contribution of public services to wider public policy goals. These systems cannot, however, replace more specific indicators of user satisfaction as a look at the distribution of objectives illustrates: a minority from the outset, the share of user-oriented indicators of service quality has continuously lowered to reach 18% in 2011

(Figure 4.7). There is thus a need for a separate set of indicators that focuses on user perceptions of quality.

Figure 4.7. **Share of indicator categories for budget performance according to the LOLF, 2008-2011**



Note: Indicator categories in the figure refer to the following official categories: society = "*Efficacité pour le citoyen*", user = "*Qualité pour l'usager*", taxpayer = "*Efficience pour le contribuable*".

Source: Based on Ministry of Budget and Finance (2011), "Missions, programmes, objectifs, indicateurs. PLF 2011", Paris.

The Baromètre du service public

The **Public Service Barometer** aims to fill this gap. As a complement to the expansion of the Marianne Charter and the LOLF described above, the Barometer has been published three times since 2010 and each edition has seen incremental changes to the methodology.

The Barometer is an innovative tool in assessing the quality of public services from a user perspective. It retains key variables of the Marianne Charter such as response times to written requests, emails and phone calls. But it broadens the scope of assessment by using indicators that relate to specific "life events" of public service users (e.g. "I need urgent medical help") and to the existence of formal complaint mechanisms. Quality in these areas is measured using both "objective" indicators of performance (e.g. response times) and "subjective" indicators of user satisfaction (through surveys conducted with a representative sample of the population that has had a contact with the public administration in connection with life events analysed by the Barometer).

The Barometer provides quantifiable statistics for specific service level categories in the French administration. Reply times to requests per letter, email or telephone, for example, could be improved across organisations evaluated by the Barometer: while 77% of phone calls are picked up after five rings, only around 50% of letters and emails receive a reply within the given timeframe of two weeks and five days, respectively. And while over three-quarters of users are said to be treated friendly by a personally identifiable person, just over 60% of users report being redirected to the right service in

response to their initial request. When it comes to dealing with individual complaints and suggestions, only 30% of organisations that are part of the Marianne "network" report having formalised mechanisms for receiving and evaluating feedback (all examples taken from DGME, 2011).

Although the Barometer started only recently, it has the potential of becoming a good practice for gauging user satisfaction and creating transparency. Some points might be worth considering so that the tool can help achieve these strategic goals:

- One of the more immediate steps in making the Barometer a strong tool for assessment should be to widen its scope.
- Examples in this report highlight some of the specific areas for improvement of public service quality: catering to the unemployed, addressing the needs of marginalised or disadvantaged user groups, responding to requests by non-French-speaking service users, improving services oriented towards the business community or non-profit associations. The Barometer's indicators should reflect the quality of services provided to these non-negligible user groups. To this purpose measures of quality for one-stop shops such as *Mon Service Public*, 3939 and *www.guichet-entreprises.fr* should be integrated.[4]
- Avoid indicators that are too simplistic or too difficult to interpret. The third edition of the Barometer introduces a cumulative indicator expressing the average quality of service in the French public administration. While it certainly attracts the attention of any reader, it raises the question of what a score of 81% actually means. In light of service quality examples cited earlier, this average quality score appears arbitrary and premature at such an early stage in the overall reform process. If anything, publicising an average value might risk being counter-productive by inciting complacency within those parts of the administration that actually require the greatest efforts to improve their services.
- In this context, more explicit links could be established between the Barometer and specific action areas in individual organisations. Current measurements are expressed as aggregate averages, which do not pinpoint to specific organisations that could improve their performance. Publicising disaggregate statistics could help create peer pressure on lagging organisations to improve their scores. This might help spread improvements more widely across the administration instead of top-runners compensating for the inaction of laggards.
- If a composite or cumulative indicator of public service quality were to be developed one day, its composition might require more exhaustive discussion. In its extreme, one could envisage an index where individual indicator categories are weighted by users themselves: users that only communicate via phone or email with the public administration might attribute little value to response times to written letters. The OECD's Better Life Index (*www.oecdbetterlifeindex.org*) provides an example of a composite indicator the construction of which can be user-modulated at any time.

Involving users and public employees

With the RGPP the French government has made advances to reach out to users of public services that appear unprecedented in the country. The DGME has adopted a "fresh" approach towards genuinely understanding the needs and difficulties of individuals and organisations in dealing with the public administration.

The novelty in France relates both to the tools used and the commitment displayed by the involved agencies to make public services more user-centric. Regarding the tools, the DGME has piloted international good practices, suitably adapted, such as the use of perception-based surveys, customer journey maps and online "crowd-sourcing" in order to collect feedback from large parts of the population. Regarding this last point, the DGME obviously built on existing efforts such as the Marianne Charter which provided individual organisations the option to commit to service quality standards. But it took these efforts further to instil, seemingly for the first time in France, an appreciation for the user of public services as a client across large parts of the administration.

The process gained serious speed when in 2008 the DGME implemented a two-step approach for identifying users' priorities by: *i*) conducting large perception surveys that ask users to indicate the frequency and complexity of dealing with the public administration in the face of "life events" such as losing a job or wanting to start a business; and *ii*) developing "customer journey maps" that trace individual points during which the user and the administration interface (e.g. requirements for documents and face-to-face meetings). The DGME publicised results in the forms of overviews of priority areas for action by user group (see Figure Q.1 in Annex Q), and visual "maps" of the steps a user has to complete when facing certain "life events" (see Figure Q.2).

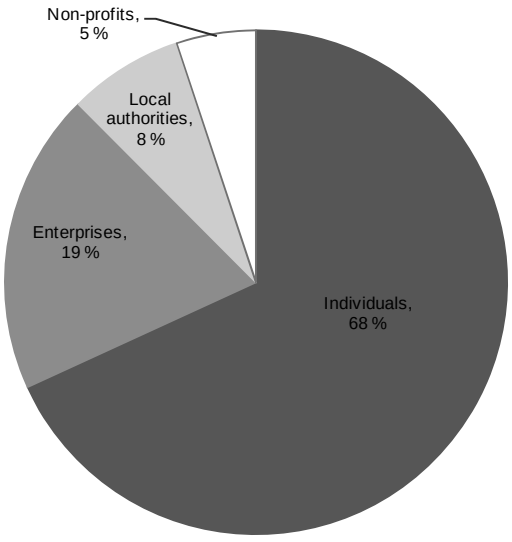
Since then, a process of regular consultations, and more recently of co-ordination, has been put in place. The DGME relies on a permanent "panel" of more than 5 000 individuals and over 2 000 businesses to conduct surveys into the quality of public services and identify opinion shifts over time. These panels are representative in their makeup and have been consulted regularly in the context of improvement studies and the public service Barometer. To carry this process further, the DGME has, as of 2012, established a sub-group of 200 panelists drawn from the initial panel, to collaborate more closely in improving public services.

The Internet played an instrumental role in these stakeholder consultations. Essentially, two phases can be distinguished in which intensity of using the Internet under the RGPP has increased: phase 1 covers 2007 and 2008, when the DGME conducted snapshot online surveys. The online surveys were of limited duration and mainly based on one-way feedback from users to the DGME. Participation rates were acceptable – around 1 600 individuals in 2007 and 800 enterprises in 2008 – although representative sampling was difficult, given various selection biases of online consultations. What the two surveys did achieve though was recognition within the public administration of the potential of "crowd-sourcing" for ideas. This explorative nature of using the Internet for stakeholder consultation laid important groundwork for using panel surveys and customer journey maps described above.

In a second phase, the DGME turned towards using the Internet to complement its "offline" surveys, but without replacing them. The DGME launched the website *ensemble-simplifions.fr* ("let's simplify together") in May 2009: an interactive forum where users can post, comment and vote on suggestions. Over 700 proposals have been

received with a vast majority coming from individuals (without differentiation as to whether they are civil servants or not) (see Figure 4.8).

Figure 4.8. ***Ensemble-simplifions.fr* – suggestions by user category, 2009-2011**



Source: Based on user posts at *www.ensemble-simplifions.fr* as at 4 July 2011.

The website is an important step in the right direction, but the challenge now is to internalise this effort of encouraging public consultations beyond the life-span of the RGPP or individual agencies. Improved communications efforts for the existence of the tool might help it become more widely known. Certainly, involvement of the highest level of political leadership can contribute to the success of the online consultation: the United Kingdom's Spending Challenge, carried out in 2010, resulted in over 100 000 individual suggestions of which 1 800 were judged as "compliant". Similarly, the United States White House online consultation Open for Questions generated over 100 000 questions related to government and public services in only 3 days. Over 1.7 million votes were cast by users prioritising questions.

Responsiveness can also be a catalyst for sustained interest in online engagement. The examples of the United Kingdom and the United States generated huge *ad hoc* interest, but might not have succeeded in creating a perpetual tool for dialogue between public service providers and users. The French website *www.ensemble-simplifions.fr* might have this potential if increased popularity is matched with higher responsiveness and engagement from the side of the public administration. The Italian government, for example, has published a special report categorising the over 400 citizen proposals received since November 2009 via "Bureaucracy: Let's Cap It" (*Burocrazia: diamoci un taglio*). More importantly, the report presents the legal and administrative measures that have been taken in response to user suggestions (Dipartimento della funzione pubblica, 2011).

Some additional observations might guide future improvements to involving users actively in public sector modernisation processes:

- The RGPP clearly increased focus on users' needs and priorities with strong attention paid to individuals (e.g. citizens). Perception surveys should be conducted regularly so that progress can be measured over time and put in relation to specific measures. This is particularly interesting where actual (not potential) public service users are surveyed. Other OECD countries have been publishing similar surveys now for several years, and these could prove useful examples (e.g. surveys of private sector perceptions of service quality in Australia and Spain: see OECD, 2012).
- If possible, efforts should be made outside the "panels" to gather a wider range of opinions from users following each contact with government, whatever the means of that contact (online, telephone, face-to-face).
- The use of "customer journey maps" is effective and should not ignore internal inefficiencies. Its strong advantage is the dedicated user focus. This also means there is a potential risk of overlooking "back-office" inefficiencies in the treatment of requests. Good international practices also highlight bottlenecks within the administration's internal processes, e.g. in the exchange of information or documents. It is essential to pursue work on the "maps", maintaining a dual perspective – user and government.
- The DGME's approach to surveying stakeholders includes innovative elements in that it also encompasses user groups that are not typically consulted in the context of reforms in OECD countries, notably not-for-profit associations and local authorities (*collectivités territoriales*). The intensity of engagement remains relatively small as illustrated by statistics on *ensemble-simplions.fr*. The DGME is working with associations and organisations to promote joint preparation of reform proposals and co-implementation of action plans. It is too soon to evaluate this recent progress, but it seems clear that an inclusive, multi-stakeholder approach is essential in carrying out sustainable public service reforms.

In this context it can be underlined that partnering with civil society can go beyond improving administrative procedures. Governments (central and local) increasingly join forces with citizens and civil society for the actual delivery of public goods and services. Co-design in this respect means involving stakeholders along the entire "life cycle" of public service delivery. And while some larger public consultations have been conducted in France (e.g. "*Paroles des lycéennes et lycéens*" in the local education sector of Île-de-France region or "*Le Grenelle environnement*" for environmental policies), there remains underexploited potential for user involvement, particularly in policy areas with strong local relevance. Box 4.5 describes some international practices in this area.

Involving civil servants

Civil servants can be a great source for innovation. There seems to be general agreement in OECD countries on the value of ideas for public service delivery that originate from civil servants themselves (Gallup, 2011). At the same time, there seems to be a structural lack of experience in some countries – including France – when it comes to actually asking civil servants for input on how to improve services and make them more efficient (see Figure 4.9).

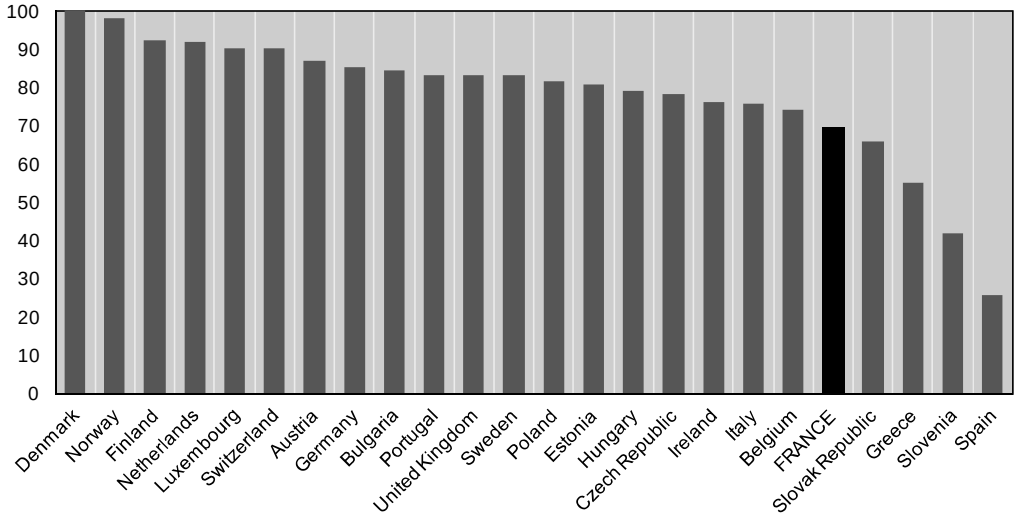
Box 4.5. **Partnering with citizens and civil society**

- In **Australia**, the "Sustainable Communities Initiative" (SCI) involves individuals, private and public sector representatives to jointly develop policies in areas such as spatial planning, energy policy, sustainable business development.
- In the **Netherlands,** the *Eigen Kracht* conferences allow stakeholders to jointly design improvements to the delivery of social services.
- In **Ireland**, the Office of the Minister for Children and Youth Affairs (OMCYA) has a nationwide programme to consult minors on their views, needs and concerns around issues that relate to them and are often within the public domain, e.g. education, health care, sports and leisure, social security.

Source: OECD (2011), *Together for Better Public Services: Partnering with Citizens and Civil Society*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264118843-en*.

Figure 4.9. **Incentives for staff to generate new ideas**

Share of public administration institutions that provide incentives for staff to generate new ideas and implement them



Note: The exact question reads: "How well do the following apply to your organisation since January 2008? Staff have incentives to think of new ideas and take part in their development".

Source: Gallup (2011), *Innobarometer 2010. Analytical Report: Innovation in Public Administration*, report and survey commissioned by the European Commission.

The RGPP comes at a time of increasing recognition by parts of the public administration of the value attached to tapping into the large pool of knowledge and innovation of civil servants. In September 2011, the *adminnov.modernisation.gouv.fr* website was inaugurated, allowing staff to propose and discuss government innovation measures with their peers. Often, these initiatives are rewarded by measurable improvements to the delivery of public goods or services, an example being the government's payment services to external contractors (see Annex N).

Some individual organisations established awards for innovative ideas from civil servants. The Ministry of Defence has clearly been a precursor in this area and without any visible imitators until more recently. In 1988 it established a dedicated group (*Mission pour le développement de l'innovation participative*) to promote innovation from the over 400 000 personnel of the armed forces, the *gendarmerie nationale*, the military health service and other divisions under the ministry. Inspired by this and international good practices, the DGME has publicised and promoted awards across wider parts of the public sector:

- *IntériEurêka*, an award by the Ministry of Interior, was launched in 2008. Each year, it rewards innovative ideas in three categories: security, public service modernisation and user orientation. The general public votes via the Internet for the winner in the latter category.
- "Challenge Administration 2020" was launched in 2010 to source innovative ideas from future civil servants, i.e. public administration students in accredited French universities.
- *Prix Initiatives Justice* was launched by the Ministry of Justice in 2011. Innovations are rewarded in two categories: bringing the justice system closer to the citizen and improving internal processes and working conditions.

The challenge is now to deploy these positive experiences in a more structural manner across the entire public administration. Looking abroad, the "Spending Challenge" in the United Kingdom has shown that response rates of over 60% by civil servants are possible in "crowd-sourcing" initiatives launched by government. The French government has an excellent opportunity and tools at hand to raise widespread awareness of the room and capacity available for sourcing ideas from (over 6 million) public servants. Success of the existing awards can provide important stimulus for internally generated innovation in large ministries such as those responsible for economic policy, budget, education and health care. The examples show that innovation does not stop at administrative practices, but also touches the delivery of the ministries' "core" products – i.e. the goods and services they provide.

4.3. Tackling the challenges of strategic governance of government information systems

Information and communication technologies (ICTs) are essential for efficient government functioning today. Moreover, they have become a key tool for providing innovative goods and services throughout the economy, including in the public sector (OECD, 2010h). This is illustrated by surveys such as the EU Innobarometer indicating that the majority of innovation-related tenders in the public sector seek providers of information technology solutions (Gallup, 2011). Despite – or more likely because – of this proliferation of ICTs across government, questions about synergies and efficiencies arise ever more often and governments are looking in greater detail at the expenses made on ICTs across government.

The government chief information officer (CIO)

The RGPP streamlined the governance structure for IT projects in the public sector. Responsibility for e-government developments lay mainly with the DGME after it incorporated the government-internal IT agency in 2005 (*Agence pour le développement*

de l'administration électronique, ADAE). But as this chapter has shown, the DGME focuses largely on improving the user experience of public services, leaving the co-ordination of "back-office" projects across government somewhat understaffed.

To fill this gap, a CIO office was created reporting to the Prime Minister's Office (*Direction interministérielle des systèmes d'information et de communication*, DISIC). This follows the examples of countries such as Germany, the United Kingdom and the United States who have made considerable efforts in streamlining "back-office" operations and aligning them with "front-office" delivery of digital public services. The CIO's main functions include:

- Aligning cross-government use of ICTs with strategic priorities. This includes the creation of a governmental Intranet and increasing the interoperability of ministries' IT systems.
- Developing and testing cost/benefit analyses to monitor IT investments and evaluate returns.
- Guiding ministries' risk management strategies for IT investment. This includes a threshold of EUR 9 million above which any planned IT project must be consulted with the CIO.
- Improving the management of complex, cross-government IT projects. This includes support for the territorial and governance re-organisation (*RéaTE*) and development of a government-internal cloud computing system.

In addition to the CIO, a network of "IT directors" was created representing each of France's 101 *départements* (the *directions départementales interministérielles*, DDI).

The CIO has the challenging task of achieving internal cost reductions. The aim is to reduce the central government's IT budget of over EUR 3 billion by 10% – with no specific timeframe indicated.[5] Looking at developments in other OECD countries, the main avenues of cost savings will likely revert around three strategic issues: consolidating infrastructure and hardware investments, reducing software development costs, creating cross-government synergies for large IT projects.

Consolidating infrastructure and hardware investments

IT infrastructure investments make up a large part of IT budgets, but they have followed a strange paradox in recent years. While computing requirements are only increasing (in the public **and** private sectors), there is growing awareness of how much IT capacity is currently under-utilised due to inefficiencies in the management of networks, servers and data centres. Staying effective **and** efficient in the provision of public services will require both technological fixes, e.g. virtualisation and cloud computing (OECD, 2009a), and better organisational arrangements, e.g. shared IT service centres (OECD, 2010f).

As international good practices show, taking stock of existing IT assets is an essential precursor to realising benefits from consolidation efforts (see Box 4.6). Such efforts also contribute to achieving more overarching objectives formulated by the government:

- Consolidation can free up high-value assets, notably IT infrastructures and buildings. High real estate costs are a major concern for the government and one of the RGPP's objectives is to limit the physical space occupied by government offices. Consolidation of physical IT systems can be instrumental in achieving

this objective, especially if co-ordinated with measures such as facilitation of remote work (or tele-work) schemes.

- Consolidation can also improve access to computing resources, especially for smaller government units that do not have large IT budgets. Shared IT services centres and cloud computing strategies mean that IT systems are not purchased but contracted as a service. Since hardware investments and personnel expenses are shouldered by the service provider, smaller government organisations can limit their expenses to procuring specific services and therefore have lower risks of cost overruns.
- Consolidation of under-utilised assets can reduce operating expenses by government facilities. Soaring electricity bills are an increasing concern for data centre operators worldwide – in the public and private sectors (OECD, 2011c). The rise of these expenses had been overlooked for some time since electricity bills where typically budgeted by the facilities operators and buildings managers, instead of being attributed to IT departments.
- Optimisation of IT operations can also improve environmental footprints. The high electricity use of IT infrastructures can impact the level of greenhouse gas emissions from energy generation, even in a country such as France where a large share of electricity is generated from non-combustible energy sources (OECD, 2011c). Countries such as Australia, Denmark, Germany, Korea, Japan and the United Kingdom are successfully leveraging government IT for environmental and climate policy goals (OECD, 2009b). The *OECD Recommendation on ICTs and the Environment* highlights the essential success factors necessary to combine IT developments and environmental policy goals.

Reducing software development costs

Besides hardware, large parts of the IT budget go towards procuring and contracting software. Reducing this chunk might require novel ways such as "crowd-sourcing", where France has been somewhat hesitant in the past. The United States is trialing relatively inexpensive ways to complement (and potentially replace some of) the established ways in which governments contract and procure software development services (Burton, 2010). This includes public developer awards such as "Challenge.gov" and "Apps for Democracy".[6] Other countries are trialing the potential of software development awards for making better use of public sector information (or open data), e.g. Germany's "*Apps für Deutschland*" and New Zealand's "Mix & Mash". It seems that such collaborative ways of developing software can lead to public services that respond better to users' needs. Moreover, they can help reduce software purchase costs, although wider application might require adapting legal frameworks for procuring and contacting software development.

Creating cross-government synergies for large IT projects

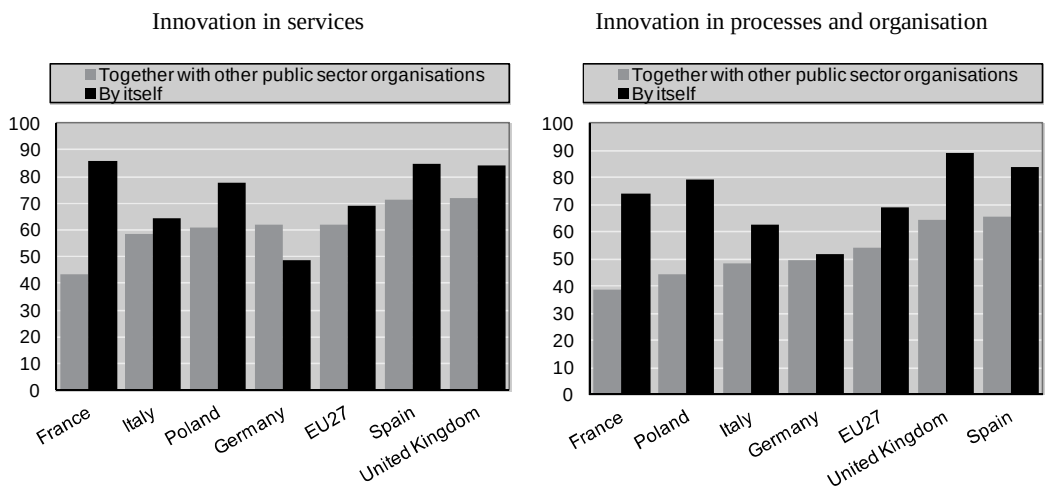
Finally, the CIO's role consists of promoting cross-government synergies for large IT projects. This might be a challenging task given that French public sector organisations appear to have less experience innovating across institutions: France has relatively low shares of organisations that co-operate with other organisations in innovation for better services or internal processes (see Figure 4.10). Moreover, the same survey indicates that French public sector organisations do not typically consult with other government departments before procuring IT systems.

Box 4.6. **Consolidating government IT networks, servers and data centres**

- The **Australian** Minister for Finance and Deregulation has launched a dedicated "Data Centre Strategy 2010-2025" which is expected to reduce costs related to the operation of data centres by around AUS 1 billion (over an unspecified time frame). The stock-taking exercise identified total annual expenditures of around AUD 850 million on data centres; and over 30 000 square metres of space occupied by them. In a first wave of measures, a number of shared IT services have been established that help individual government units contract, migrate or optimise data centre operations (*www.finance.gov.au/e-government/infrastructure/data-centres.html*).
- In its 2010 Budget, the government of **Canada** introduced a comprehensive review of government administrative functions and overhead costs – *Administrative Services Review* – to identify opportunities for additional savings and improve service delivery in the spirit of economic recovery. In addition, in 2011, Canada launched Shared Services Canada to introduce measures to streamline and identify savings in information technology (IT). This initiative will allow the federal government to move to one email system, reduce the overall number of data centres from 300 to less than 20, and streamline electronic networks within and between government departments. This supports Canada's efforts to improve services to Canadians; make IT more secure and reliable, and cost effective in line with the government's plan to return to balanced budgets (*http://news.gc.ca/web/article-eng.do?mthd=tp&crtr.page=1&nid=614499&crtr.tp1D=1*).
- The **United States** federal CIO, after taking stock, proposed a plan to reduce by 800 the total count of over 2 000 federal data centres (basically large buildings filled with servers, high-capacity computers) – a plan that is expected to generate USD 3 billion savings alone (Kundra, 2010). Over 370 data centres have already been identified for immediate shut down before the end of 2012.[1] Cloud computing services are a key ingredient in making the transition to slimmer government IT infrastructures.

Note: 1. See also an update on the status at the White House blog, *www.whitehouse.gov/blog/2011/ 07/20/ shutting-down-duplicative-data-centers*, last accessed 1 December 2011.

Figure 4.10. **Share of public sector organisations innovating jointly or alone**



Source: EU Innobarometer.

It appears the CIO is on a good path towards tackling this lack of co-operation. The consultation mandate for projects surpassing EUR 9 million is an important first step and should help improve coherence of public procurement for IT systems. The CIO might to this purpose consider establishing a central "clearinghouse" for government IT projects. International good practices suggest this can help avoid redundant or irrelevant developments (see Box 4.7). But sustained co-operation and co-ordination also require formalised procedures. To this purpose the CIO will depend on effective operations of a newly established Co-ordination Council, which meets regularly at two levels:

- The government "ICT Council" (*Conseil des systèmes des TIC*), bringing together the general secretaries (*sécretaires généraux*) from each line ministry, representatives from the DGME, the National Information System Security Agency (ANSSI), the government's budget division and the central procurement division (SAE). It meets at least twice a year to define the strategic directions for IT systems developments across government.
- The "Technical ICT Committee" (*Comité technique des TIC*), sitting all ministries' directors of IT operations around the table. This body works on a more operational level and co-ordinates implementation plans for the government's strategic IT projects.

Box 4.7. **Avoiding redundancy in government IT developments**

- **Denmark's** Mindlab is set up as a cross-ministry unit developing and piloting new services and service delivery enhancements together with selected users. In a recent example, an SMS-based tax return system was discarded as irrelevant after piloting, thereby saving the spending on further resources on development.
- **Mexico's** Federal Inventory of Systems (*Inventario de Aplicaciones de la APF*) contains details on the information systems of each institution of the federal public administration. The objective of this system is to leverage existing applications to accelerate automation processes by enabling the transfer of applications and the sharing of experiences and success stories between agencies, to avoid duplication of efforts and investments (*http://aplicaciones.cidge.gob.mx* and OECD, 2011i).
- The government of **Spain** runs a Technology Transfer Centre (*Centro de Transferencia de Tecnologia*). It provides a common, web-accessible repository for software and IT systems in use across the administration (*http://forja-ctt.administracionelectronica.gob.es/web/inicio*).

Going forward, it is important that co-ordination functions of the council would not be artificially confined to "back-office" issues. Upcoming strategic projects for the development of the information society will have a strong impact on internal government IT operations. This includes the potential introduction of a national electronic identity and formulation of the national e-government agenda *France Numérique 2020*. A formal voice for the government CIO in these projects is vital so that IT systems can meet the strategic requirements of each project. In Germany, for example, the national IT planning council (*IT-Planungsrat*) provides formal input to the formulation of the national e-government and information society strategies.

Finally, adequate skills and competencies of civil servants are essential prerequisites for successfully leveraging cross-government use of ICTs. The CIO has strategic foresight over IT and communications skills requirements resulting, for example, from

greater use of cloud computing services, the emergence of new service delivery modes, greater personalisation of online services such as the cross-government Intranet. These emerging trends will only translate into effective public services if civil servants have the right skills at hand. And as government users, they can act as multipliers publicising the advantages of online public services to the wider population. The CIO therefore has a key role to play in helping design national strategies for developing IT skills (see also Chapter 3).

4.4. Building comprehensive strategies for transforming better services into better policy outcomes: the case of employment and business promotion services

Investments in public service quality can yield greater societal returns. The two areas of employment services and public services to business show how responding to individual users' needs can also contribute to achieving societal objectives. Each of these areas has been prioritised in the RGPP and both are of prime importance for the economic recovery.

Discrepancies remain among satisfaction rates for public employment services and employment policies

Governments have always sought full employment, and not just since the onset of the recent economic crisis. Public employment policies are closely intertwined with economic and social policies and they are a key in ensuring government revenues (e.g. from incomes taxes and pension schemes) while keeping expenditures low (e.g. on unemployment benefits). Governments across the OECD are now facing high unemployment rates and there is particular concern about the young and the long-term unemployed, who face particular difficulties (OECD, 2011g).

The provision of public employment services (PES) is a pivotal element in government action to place people effectively in the labour market. PES providers are the principal implementers of labour market policies; they help individuals and firms adjust to changing conditions in (inter-)national labour markets; and they are typically close to the realities of job-seekers.

The RGPP includes a major reform of PES in France. A unified agency, *Pole emploi*, was created as a merger of two agencies that were previously responsible for employment intermediation (ANPE) and disbursal of unemployment benefits (ASSEDIC). The ambition is to become the central public agency when it comes to serving its two client bases: job seekers and employers.

Pole emploi is without doubt the principal entry point for unemployed job seekers, to a large degree because it handles and distributes unemployment benefits. And it seems that satisfaction rates with individual services offered by the agency have improved since the merger took place. The Public Service Barometer discussed earlier shows that response rates by *Pole emploi* are within agreed timeframes in over 90% of the cases (DGME, 2011). A survey published by *Pole emploi* reports that around two-thirds of users consider services to be overall better, simpler and quicker; the web portal is being found helpful for dealing with initial steps in seeking employment or applying for benefits (Ipsos, 2010). Other surveys confirm that users who had been in contact with *Pole emploi* recently are more satisfied with service delivery than in 2007 (BVA, several years).

But the same survey also suggests that satisfaction rates with government employment policies are at a historic low with 19% in 2010, a drop from 29% in 2006 (BVA, several years). Certainly, the impacts of the economic crisis and rising unemployment are the main factor. However, the quality of public services provides part of the answer too. While initial response rates of *Pole emploi* to user requests are satisfactory, they might not reveal issues about effectiveness and efficiency in implementing labour market policies further down the line. Beyond satisfaction of individual users, quality of public employment services is measured in terms of re-employment rates, fraud detection and efficiency of service delivery.

The PES reform under the RGPP includes a headline objective for the provision of individualised services, which also reflects the need for greater efficiency. The goal is to make one *Pole emploi* counsellor responsible for no more than 60 unemployed persons. This would be a big improvement, given that France used to fare rather poorly among OECD countries with up to 193 unemployed for one counsellor (Lippoldt and Brodsky, 2004). According to latest figures, the ratio stands at around 1 counsellor per 100 unemployed in 2011, which is an improvement, but surely not enough to deal with the effects of the economic crisis. Indeed, independent observers note a decreasing quality of individual services rendered, also when compared to Germany and the United Kingdom (CESE, 2011). This is particularly worrisome in the face of surging youth unemployment (see Box 4.9).

Enterprises dealing with *Pole emploi* appear to be generally satisfied with the delivery of services, i.e. with responsiveness and comprehension (Ipsos, 2010). However, a more detailed look reveals that the proposed PES do not necessarily match employers' needs. The same survey indicates that less than one third of responding firms use the online CV database and over 50% find it irrelevant to their needs. The phone hotline "3995" is used by only 13% of responding enterprises and online advertising of vacancies on the *Pole emploi* website is used by only 40% of enterprises.

In fact, it seems that the public sector itself could play a greater role in using the web for vacancies and recruitment. Only around 60 000 French public sector vacancies were published online in 2010 via the websites *http://biep.gouv.fr/common/jobSearch* (for civil servants) and *http://concours.fonction-publique.gouv.fr* (for the wider public). This seems low when compared to the United Kingdom where over 150 000 public sector vacancies were published on the web portals *fast stream* and *civil-service.gov.uk* (www.acteurspublics.com, 2011).

One of the main challenges *Pole emploi* faces is to become more relevant to employers' needs. The number of vacancies that go through the PES provider show that the agency is suffering from competition with private sector marketplaces. Today, the PES has a "penetration rate" of only 15% to 17% of all vacancies in France, down from 20% in 2007 (Alduy, 2011).[7] This suggests that companies are turning to *Pole emploi* much less frequently than could be expected for a public agency with a database of several million unemployed, i.e. potential recruits.

Box 4.8. **Youth unemployment in France**

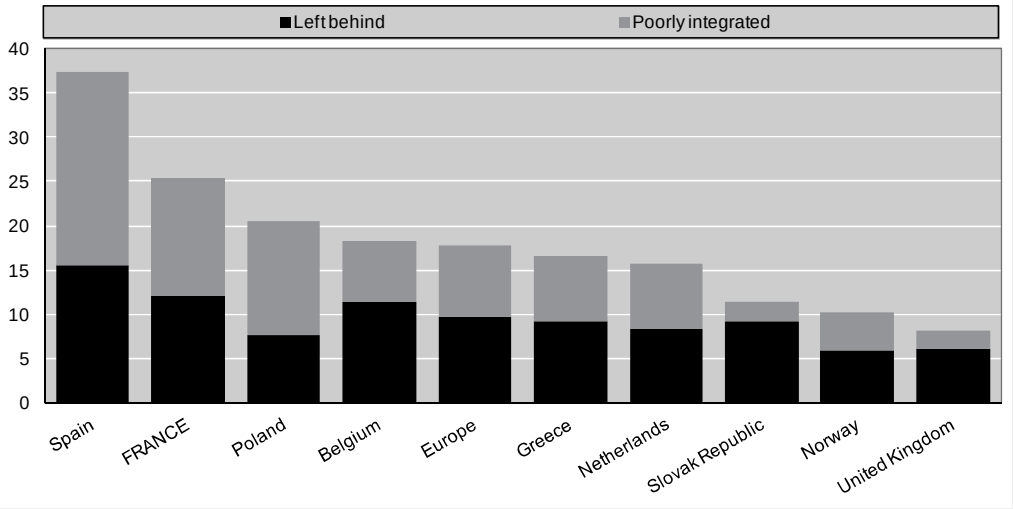
Youth unemployment is a challenge that requires specific attention from the PES provider and innovative co-operation modes with both job-seekers and employers. France has fared below the average of OECD countries during the economic crisis when it comes to youth unemployment. In late 2010, youth unemployment reached 23.7%, comparable to the EU average but markedly above the OECD average of 18.5%. Effects of the crisis were partially dampened by public policies such as the "*zéro charges*" that provides financial compensation to those employing young people and reserves specific allowances for the employment of disadvantaged youth or apprenticeship programmes within the public sector (OECD, 2009b).

However, structural challenges facing youth employment in France remain high. The road from education to the workspace still leads to a high number of young people "left behind" and "poorly integrated".[1] Young people between 15 and 29 face relatively high rates of unemployment, temporary employment and lack of sufficient skills and education: the figure below shows that in France, up to one quarter of young people were vulnerable to the challenges described, even before the economic crisis gained full momentum.

A large part of dealing with this challenge requires adjusting public policies. The OECD has, for example, reported on the "large differences in the stringency of regulations for temporary (or other atypical job) contracts compared with permanent ones", which risks leaving youth "trapped in precarious jobs that do not offer clear career prospects for a long period" (OECD, 2010e). But there is also a role for PES, e.g. in improving the school-to-work transition in France, which offers only little flexibility to young people that wish to explore several work or study options without committing to a defined career path early on.

Estimated proportion of young job seekers "left behind" and "poorly integrated", 2005-2007

% of the youth aged 15-29 having left education



Note: 1. In the context of OECD work, "left behind" refers to people 15-29 without upper secondary education; "poorly integrated" comprises people of the same age that were in temporary employment contracts in 2005 and were either still in temporary employment, unemployed or inactive two years later (OECD, 2010e).

Source: OECD (2010), *Off to a Good Start? Jobs for Youth*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264096127-en*.

It must be noted that lower vacancy penetration rates at PES providers are not surprising as such. Private sector employment intermediation and the success of online

job marketplaces resulted in decreasing shares across OECD countries over the past decade: from as high as 39% in France and 48% in Germany in 1999 (see Lippoldt and Brodsky, 2004; and German Institute for Economic Research/DIW Berlin, 2002). Nevertheless, compared to France, the German *Bundesagentur für Arbeit* today has a relatively high penetration rate of 23% (Bundesagentur für Arbeit, 2011). This is all the more surprising given that *Pole emploi* dedicates a larger share of its workforce to employer-oriented services than its German equivalent: 10%, compared to 4% (IGF, 2010). Considerations for improving the penetration rate could therefore include a closer look at the efficiency of these service operations.

To conclude, improvements in the quality of public employment services can be instrumental for achieving public policy objectives. The following broad lines show how the delivery of public services by *Pole emploi* can increase the effectiveness of measures tackling unemployment (see also CESE, 2011).

- **Better outreach to young people.** Younger groups of potential job seekers must be proactively targeted so that public employment services become relevant to their needs. To this purpose, the mandatory *Journée défense et citoyenneté* (JDC, established by the RGPP) could be utilised to hold advisory sessions with *Pole emploi* representatives and identify young people with significant skills shortages (OECD, 2009b, which recommends using the former JAPD for that purpose). Such initiatives can help PES agencies address questions by young people about the developments in the labour market.

- **Coherence in service delivery.** Public services must ensure there are no gaps in responsibility or competency. This is particularly important in the context of young people that are neither in education, employment or training (NEET). Better outreach can be achieved through closer co-ordination with social services providers. In the United Kingdom, for example, exchanges are facilitated between Connexions Services, a provider of general support services to youth between 13 and 19, and JobcentrePlus, the national PES provider.[8]

- **Expansion and re-design of services.** National PES agencies are instrumental in the promotion of training, vocational and apprenticeship programmes. The Austrian government has provided a "training guarantee" which means that any person between 15 and 24 years that has been either unemployed or seeking an apprenticeship for more than three months is eligible for one of the following: a suitable job, an apprenticeship or, as the last resort of exit, a training or apprenticeship opportunity provided by the PES itself. However, context-specific differences need to be taken into account, in particular with respect to different levels of recognition and supply of apprenticeship programmes in countries such as Austria, Germany and Switzerland (IGF, 2010).

- **Stronger partnerships with the private sector.** The role of PES is changing with the changed realities "on the ground", i.e. strong private sector intermediaries and highly popular online job marketplaces such as Monster. In a survey of immediate crisis responses, the ILO has highlighted the importance of strengthening partnerships with the private sector (ILO, 2009). While this relates mainly to employment service providers, it can go further than that, for example when reaching out to structurally disadvantaged groups: the Austrian PES has co-operation agreements with domestic Turkish and Serbian language newspapers that report about available PES services.

- **Improved service quality and relevance to employers.** Effective partnerships with employers and more intense "profiling" and preparation of job-seekers are essential in successfully matching job-seekers to vacancies and, as a result, attracting more vacancies from businesses. It seems important to better understand why the high number of dedicated counsellors for employer services at *Pole emploi* is not translating into high uptake rates of PES with this user group. Better mutual understanding of employers' and job seekers' needs can emerge through various co-operation structures. The recent national meeting of representatives of *Pole emploi* and DIRECCTE is one example that, if intensified, could help both agencies to become more responsive to the needs of enterprises and job seekers.

Start-up activity accelerates, but structural challenges to starting and growing a business need to be addressed

Sustaining and promoting domestic economic growth is a prime concern with policy makers. Public policies in the areas of taxation, social security and subsidies play a major part in assuring competitiveness of existing and nascent businesses. Like in other OECD countries, France's recent economic policies seek to respond to changing global balances of production and division of labour. It is in this context that the delivery of public service to the business community plays a pivotal role as an avenue of implementing public policies and attaining societal objectives (OECD, 2010h).

The RGPP has played a catalytic role for the improvement of public services to promote entrepreneurship and improve the business climate in France. Initiatives that aim in this direction include: expansion of competencies for Oseo, the central agency for innovation promotion through disbursal and guaranteeing of credits, and for Ubifrance, a central entry point for external trade and investment opportunities; creation of *Pole emploi*, the central employment agency, of DIRECCTE, which aims to be the unique business-oriented entry point to government in the regions of France (*service déconcentré*), and, finally, of the *Direction générale de la compétitivité, de l'industrie et des services* (DGCIS) under the Economics Ministry, a merger of several directorates dealing with enterprise issues. These RGPP measures must also be regarded in the context of non-RGPP specific measures, e.g. establishment of a strategic investment fund (*Fonds stratégique d'investissement*, FSI) or facilitation of online customs declarations in the early 2000s.

Individual perception-based surveys point to overall satisfaction of businesses with several of these specialised services. At the same time, inefficiencies in public service delivery to businesses remain and might require further efforts (see also the earlier discussion of one-stop shops). Two sub-sets of enterprises will be used to illustrate this point:

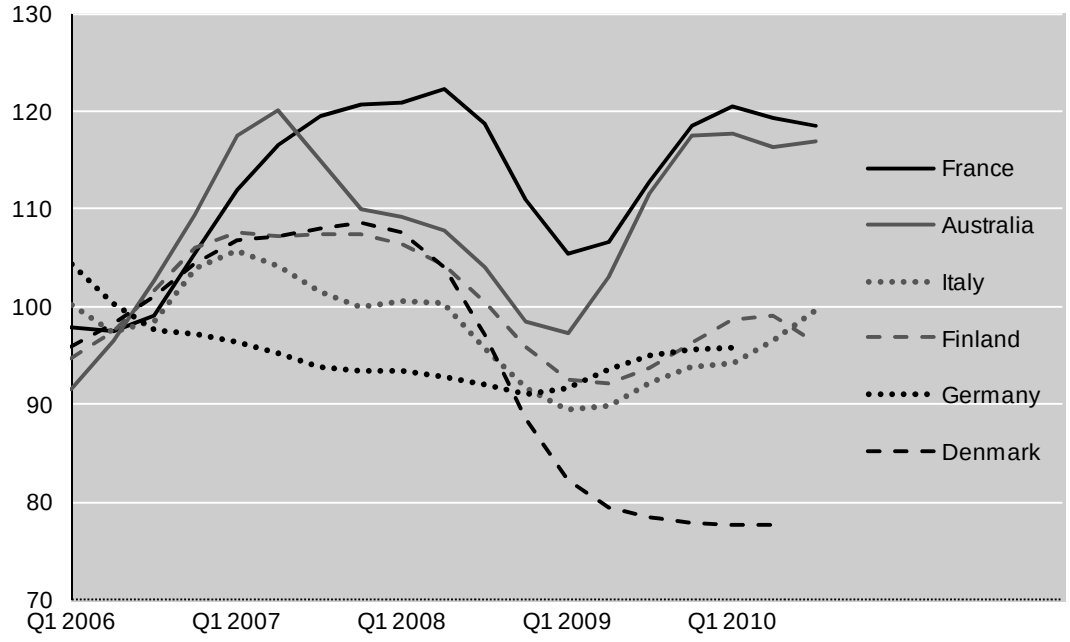
- Small- and medium-sized enterprises (SMEs), which are commonly defined as firms with less than 250 employees (or EUR 50 million in revenues). These firms play an important part in a country's innovation eco-system because they often challenge established business models and value chains. Moreover, SMEs can be a driver for jobs growth (OECD, 2010h).
- "Intermediate-sized" enterprises (*entreprises de taille intermédiaire*, ETIs), which are firms with between 250 and 5 000 employees and less than EUR 1.5 billion in revenues, i.e. excluding large multi-nationals. ETIs have been

somewhat overlooked by policy makers in France in the past. However, the contribution to growth and resilience of this industry segment in countries such as Germany (the prominent *Mittelstand*) has led to re-consideration of its strategic importance in the domestic industrial "tissue" (CESE, 2010; Retailleau, 2010).

Overall, the RGPP seems to have advanced a positive climate for business activities in France. Its timing coincides with implementation of a large economic modernisation programme, ratified in 2008 (*Loi de modernisation de l'économie*). The noticeable increase in enterprise creations since 2006 supports the argument that the two reform programmes positively impacted business developments in France (see Figure 4.11). It is difficult to attribute this trend to specific measures from either of the reform programmes. Certainly, the rebound in late 2009 can to a large degree be attributed to the establishment of the *autoentrepreneur* status under the Economic Modernisation Law. But the intensity of the rebound and developments prior to ratification of the law (i.e. before mid-2008) suggest that specific RGPP measures, e.g. measures aimed at facilitating (repeated) business creation (*Nouvel accompagnement pour la création et la reprise d'entreprise*, NACRE), also contributed to a jump in business creation that was stronger than in most OECD countries.

Figure 4.11. **Business creation in selected OECD countries**

Index 2006=100, trend-cycle



Source: OECD (2011), *Entrepreneurship at a Glance 2011*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264097711-en*.

That said, there remains considerable space for improvement of public services towards businesses. France comes among the European countries with the highest perceived complexity of starting a business; and potential entrepreneurs find it very difficult to find sufficient information about the process (see Annex P from the EU Innobarometer). In the World Bank's *Doing Business* reports, France ranks amidst the top 30 countries globally but a good number of OECD countries are ranked higher. The practices of providing business services in some of the higher-ranking OECD member

countries might provide guidance for improvement efforts: Australia, Canada, Ireland, New Zealand, the United Kingdom and the United States. The discussion under one-stop shops earlier in this chapter picks up some of these countries' efforts and might provide a starting point to making life easier for business start-ups from a service delivery perspective.

It is harder to indicate how public services can positively impact business developments in "intermediate-sized" enterprises (ETIs). This is largely due to a lack of data on over-time developments of ETIs in the French economy. Alternatively, sub-categories of the World Bank *Doing Business* ranking can serve as an approximation for France's performance in this area. A comparison with Germany reveals interesting findings about structural differences in public support to classes of companies. France comes ahead of Germany in the World Bank ranking for "Starting a business" (rank 21 vs. 84), which supports the notion that French economic modernisation programmes in the past set stronger focus on SMEs than on other firm size classes. Interestingly enough, the positioning of the two countries is inversed for sub-categories of the ranking that are of strategic importance for firms growing and scaling internationally: "Getting credit" (France on rank 46, Germany on 15) and "Trading across borders" (26 and 14, respectively). While only indicative, these findings support arguments for defining a more strategic approach to ETIs in order to maintain France's international competitiveness (CESE, 2010; Retailleau, 2010).

The RGPP has made first attempts in addressing the perceived lack of support to intermediate-sized enterprises. Oseo, the innovation promotion agency, now promotes innovation in ETIs of up to 5 000 employees, which complements existing programmes targeted at SMEs. Similarly, the economic modernisation law instructed the national statistical office (INSEE) to establish a dedicated statistical unit for ETIs, which will help generate data that can inform policy choices (the French Law for Economic Modernisation, "*modernisation de l'économie*"). A more strategic approach to business promotion should integrate these initiatives, but also look for potential levers in other areas, e.g. public procurement where preferential treatment rules and quotas established under the Economic Modernisation Law of 2008 appear to be mostly limited to SMEs.

Economic growth and business development evidently depend on a variety of factors that go beyond the delivery of "good" public services. This includes framework conditions, labour market developments, path dependency in the area of innovation policies, and others.[9] Nevertheless, the analytical remarks provided here make a strong case for public service providers to co-ordinate and align their actions in order to avoid gaps or even administrative "road-blocks" that discourage companies from growing and scaling. The focus on SMEs in France seems to be well enshrined with all actors involved. However, a common strategy for promoting growth beyond the size of 250 employees is only emerging. When expanding the scope of public service modernisation towards additional target groups such as the ETIs, it will be important to reflect particularities that distinguish each group. To this purpose, customer journey maps and perception-based surveys could be used to identify specific shortcomings and formulate responses.

4.5. Summary of recommendations

The RGPP set out to reform the ways in which public services (and to some degree goods) are delivered in France. Since 2007 the French government catalysed and ignited several projects to improve the quality of public services. The catalysing function refers

to projects such as expansion of the Marianne Charter, the public administration hotline "3939" and individual initiatives stemming from the ADELE e-government agenda. Ignition relates to entirely new modernisation efforts such as the central web portal *mon.service-public.fr*, the Public Service Barometer, changes to the governance structure of government IT projects and mergers of existing government agencies to create new ones such as *Pole emploi* or the DGFIP.

Expand reform efforts by building on empirical evidence and effective communication

Despite the success stories cited in this chapter, a considerable challenge in the months and years to come is to ensure that modernisation efforts expand to all parts of the public sector. This will require transparent measurement and effective communication of the results achieved. The Public Service Barometer has great potential for becoming an instrument for this purpose because it measures improvements made and helps to communicate results both within the public sector and to the wider public.

Gearing the Public Service Barometer towards service improvement goals

While an innovative tool, the Public Service Barometer has yet to prove it can help turn indicators into action. On the one hand, its high aggregation makes it easy to get a quick overview of strengths and weaknesses in public service delivery. On the other hand, too high aggregation risks diluting the Barometer's potential to stimulate change and communicate results effectively. Viewed from inside government, the indicator's high degree of aggregation reduces its capacity to generate peer pressure on those parts of the administration that need to move quicker to improve public services. Taking the perspective of an outside spectator, a composite indicator of public service quality is simply too opaque to be meaningful. Greater detail in collecting and publicising data might lead to greater engagement and dialogue with the public in looking for better service quality.

Involve all stakeholders more systematically in public service delivery

In general, a more daring approach could be taken towards "insourcing" views and suggestions for innovation in public service delivery from diverse stakeholders. The RGPP made some advances in this area, notably the website *www.ensemble-simplifions.fr* to gauge suggestions from the general public and several awards incentivising civil servants to provide suggestions for improvements. But by and large, the potential for engaging civil servants and the wider public remains underexploited. Some OECD countries are testing joint models for delivering public goods and services, working with individuals, the private sector and civil society. Returns on these investments can be expected in the form of delivery modes that are more cost-efficient and goods and services that are more targeted to the needs of users.

Strengthen efforts to reach marginalised groups

Efforts towards inclusion should also cover access opportunities for some marginalised groups. Otherwise reform measures risk excluding structurally disadvantaged user groups such as persons with disabilities, non-French-speaking residents or people with insufficient levels of IT literacy. In the provision of online services, web accessibility standards should be enforced more effectively. But "offline" services too need to be designed with multiple access possibilities in mind. Internet and

telephone hotlines are not necessarily suitable for all groups of the population. This requires complementary channels for information and service provision, including via intermediary devices and service providers. A growing number of countries trial complementary public service delivery via SMS or mobile Internet applications as well as by partnering with non-governmental actors.

Leverage technology and public sector information for open government

The RGPP is making great advances in collecting data about the quality of public services in France. These data could be put to wider use. For example, the Public Service Barometer mentioned earlier, beyond being a "barometer", is building up a very interesting database that could be used to allow the wider public to innovate for the benefit of the public sector. Today indicators for public service quality are largely being developed by the government. Why not let users build custom indicators of public service quality? If data on service quality measurements in different government organisations were publicly available, end users themselves could create indicators that might better reflect their needs and expectations. Such a move is coherent with international advances towards more open and transparent government. In fact, publication of service quality data can double up as a test case for the French government "open data" portal *data.gouv.fr* – especially if this is combined with a public competition to incite creative and value-generating use of that data.

Develop strategic foresight in the use of technology

When discussing government use of IT in more general, the RGPP went beyond facilitating online availability of public services and made a start at improving the co-ordination of government ICT projects. A big challenge going forward will be to create synergies in the strategic deployment of IT across government while consolidating expenditures. The newly established CIO office appears to have sufficient manoeuvre and highest-level backing to tackle this challenge. Its success, however, will to a large degree depend on strategic foresight of the impacts of upcoming IT-related government projects, e.g. France's digital agenda *France Numérique 2020* and the potential introduction of a national digital ID. In this context, the CIO will need to show leadership in order to effectively co-ordinate strategies for government IT use with strategies for online delivery of public services and wider information society developments.

…while containing deployment costs through better IT governance

With respect to government IT expenses, the CIO could play a key role in making the government more open to new ways of investing in IT systems, operating and maintaining them. To reduce expenses, several OECD governments trial new modes of co-operation within the public sector, e.g. shared IT services and joint procurement, as well as tapping into outside sources, e.g. public developer contests. This might require adaptation of IT governance modes and in some cases changes to existing procurement and contracting rules. But the high potential for reduced costs and more effective service delivery can reward these efforts.

Improve public services with a view to welfare creation

In pursuing government modernisation a comprehensive approach to service quality is important to keep sight of "the big picture". This requires raising and answering the question of whether specific public services are able to respond to the needs of individual

users or "clients" as well as contributing to greater social welfare objectives. Such a dual approach is particularly important in policy areas with great implication for societal welfare, i.e. education, health care, social security. Measurement and improvements in these areas must integrate individual service quality aspects, e.g. response times, and larger outcome-based evaluations, e.g. educational attainment.

Gear public employment services more closely to strategic employment policy objectives

The reform of public employment services in France seems to have made considerable advances in that direction. The creation of *Pole emploi* helped to overcome some inefficiencies arising from fragmentation of services across two separate agencies. But challenges remain and need to be overcome for *Pole emploi* to be an effective agent for the attainment of employment policy objectives. This chapter shows that it needs to improve its attraction to employers as they look for channels to publish vacancies; it also highlights the importance of reaching out effectively to young people, a group that has been hit very hard by the economic crisis.

These challenges are by no means limited to France. Nevertheless, a comprehensive modernisation programme such as the RGPP should reserve considerable space for expanding and re-designing public employment services. This requires strategic re-thinking of public employment services well beyond "tweaks" to individual aspects of service quality like response times or online availability. To create coherence between satisfying the needs of individual users and helping government to meet employment policy objectives, the range and nature of services provided will need to be considered strategically.

Re-think strategically the delivery of public services to business and industry

The assessment of improvements in public services to business is somewhat ambivalent too. Measures under the RGPP have improved access to government support for creating businesses, promoting innovation and encouraging international expansion. However, business-oriented services in the French public administration seem to be scattered among a multitude of agencies, programmes and websites catering to companies of different size classes and activities. The central web portal *www.guichet-entreprises.fr*, for example, is an online "one-stop shop" created in 2011. But it cohabitates with a large number of comparable offers on the web and focuses largely on the needs of start-ups. To make France a better place to start **and** grow a business, a more comprehensive service delivery strategy towards businesses seems necessary.

Cultivate an environment of continuous incremental improvements

In conclusion, continuity of successful initiatives will be a key ingredient for success in the work going forward. It is a major task for the French government to take success stories analysed in this chapter and transform them into intrinsic desire for continuous improvement within government departments. In going forward, the French government should therefore take great care in cultivating incremental improvements to some of the innovations under the RGPP, e.g. the Public Service Barometer or the consultation of civil servants for innovative ideas.

…while making sure transformational change can take place where it is needed

In other areas, incremental improvements will not suffice. The chapter has shown that more transformative ways of modernising public services will be necessary in some instances so as to remain close to the needs of users and stay in coherence with public policy objectives. However, both will have to be achieved under the imperative to preserve government budgets. The RGPP has proven it can shoulder and catalyse large-scale modernisation programmes, such as the re-design and roll-out of the country's new vehicle registration system. In the future, then, the management of incremental and transformative modes of innovation will demand that all parts of government have a real will to modernise. This goes in the direction of cultural changes, which are of course difficult and long-ranging. The alternative, however, means that successful initiatives developed so far risk being entirely dependent on the life-span and dynamics of the RGPP and its main catalysing agents.

Notes

1. Financial incentives promoted use of online tax declarations, e.g. a EUR 20 tax discount for first-time declarations online, but were discontinued in 2011.
2. However, the *Loi informatique et libertés* (Law 78-17 of 6 January) covers file integration practices.
3. Individual service delivery goals existed in earlier laws and initiatives. For example, the 1983 Decree on the Relations between the Public Administration and its Users (*Décret 83-1025*) stipulates response times for acknowledging written requests and establishes procedures for erroneous requests. However, the scope of objectives was limited and so was their application, initially at central government level only. The Marianne Charter is the first concerted effort at defining and implementing a consistent set of tangible service delivery goals.
4. A barometer is now being developed to measure the quality of services to businesses.
5. The budget does not include IT expenditures by local authorities and the public health care sector.
6. The success of "Apps for Democracy" led to the production of a reference guide to help governments create their own Apps for Democracy: *www.appsfordemocracy.org/guide-to-creating-your-own-apps-for-democracy*, accessed on 1 December 2011.
7. The penetration rate is calculated by dividing the number of vacancy notes received by the number of total hirings across the economy in a given time period. For details on this and other indicators of PES activities, see Lippoldt and Brodsky (2004) and Bundesagentur für Arbeit (2011).
8. In 2011, Connexions Services as a standalone service has been discontinued and the service functions were integrated in *direct.gov.uk*.
9. Regarding potential regulatory improvements, see OECD (2010); regarding macroeconomic policy levers, see OECD (2011i).

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Chapter 5

The RGPP and human resource management

This chapter reviews the reforms carried out under the RGPP to modernise central government's management of its human resources. The first part examines the efforts made to optimise the size and cost of the central government workforce. The second part analyses the transition begun by the RGPP to make the civil service more agile, including changes to foster mobility and performance, and to modernise recruitment.

Introduction

Experience in OECD countries shows that the management of public employment is always difficult to reform, and the level of public employment is resistant to decreases. Nevertheless, most of the more advanced OECD countries have over the last 30 years made significant adaptations to the management of public employees. Those reforms have not led directly to any systematic cost reductions, but they are generally regarded as successful in improving the agility of government, i.e. its capacity to adapt its workforce to shifting circumstances or priorities while maintaining or improving public service competencies and ethics and inspiring employees to strive for greater efficiency in government.

The RGPP has made the modernisation of human resource management one of its priorities, both as a way of supporting the optimisation reforms and as a means of reinforcing the structural conditions essential to government flexibility. Not all of the human resource management reforms of recent years in France can be traced to the RGPP. This chapter examines those that are part of the RGPP and those that have a direct influence on other RGPP reforms. It does not deal specifically with gender equality issues, retirement and pension issues, or reform of the "social dialogue" (industrial relations), which are important but fall outside the scope of this study.

The first part of this chapter examines trends in the number and compensation of public employees, which are core to the RGPP. The second part of the chapter looks at trends in public personnel management compared with the broad trends in OECD countries. The last part summarises the conclusions and recommendations.

Box 5.1. **Methodological definitions**

The figures and definitions used in this chapter are derived from the OECD *National Accounts* data and those provided by the French government. This dual origin is necessary, as the *National Accounts* allow for international comparability, while the French government figures offer greater statistical depth and more detailed analysis. The definitions are not all consistent nor are they necessarily fully compatible. The *National Accounts* approach is an economic approach, whereas the French government approach is more legal in nature. In particular, the definition of the civil service (*fonction publique*) is more restrictive than that of public employment (or employment in government), which also includes employees who do not have civil servant status. Those persons may be employed, usually as contract employees, by ministries that also employ civil servants, or they may be employed by organisations that do not employ civil servants (such as certain government-owned industrial and commercial institutions). This differentiation appears again between public employment (in the general sense of employment in government) and the civil service, but also at more restrictive levels of each of the three *fonctions publiques* covered by the definition of the civil service: those of central government, the sub-national governments, and the hospitals. Nevertheless, it should be noted that the civil service is entirely part of public employment, of which it represents 87%.[1] The methodological issue, then, is fairly limited in scope.

Note: 1. See Ministry of the Budget, Public Accounts, the Civil Service and Reform of the State (2010), *Rapport annuel sur l'état de la fonction publique: politiques et pratiques 2009-2010*, Vol. 2, La documentation française, Paris, p. 14.

5.1. A step toward optimising public employment numbers and costs in France

Efforts to reduce employment in central government have constrained the increase in total public employment

The level of public employment is relatively high but is growing more slowly than before and is tending to stabilise

Relatively high public employment

In economic terms, the size of the public workforce (including sub-national governments and non-statutory employees, see Box 5.1) should be analysed by taking into account: *i)* the missions of government in general; and *ii)* the goods and services produced by the private sector[1] but financed by government. The costs of producing public services are useful units of comparison, making it possible to measure how much the goods and services financed by government actually cost, whether they are produced by public employees themselves or by the private sector.[2]

In comparison with other OECD countries, the costs of producing public services in France are today relatively high. They represented approximately 27.6% of GDP in 2009 (see Figure 1.6), placing France in sixth position within the OECD, after Denmark, the Netherlands, Finland, Sweden and Iceland. These costs have risen substantially since 2000 as a proportion of GDP, but only because of an increase in the costs of goods and services produced by the private sector[3] and not because of any increase in compensation costs, which have remained stable at around 13% of GDP (a level that is lower than in Denmark, Finland, Greece, Iceland, Norway and Sweden and slightly higher than in Belgium, Canada, Estonia, Portugal and Slovenia). Within the costs of producing public services, payroll costs seem about average compared to countries with equivalent costs of producing public services, and are relatively high in comparison to other OECD countries (see OECD, 2011b).

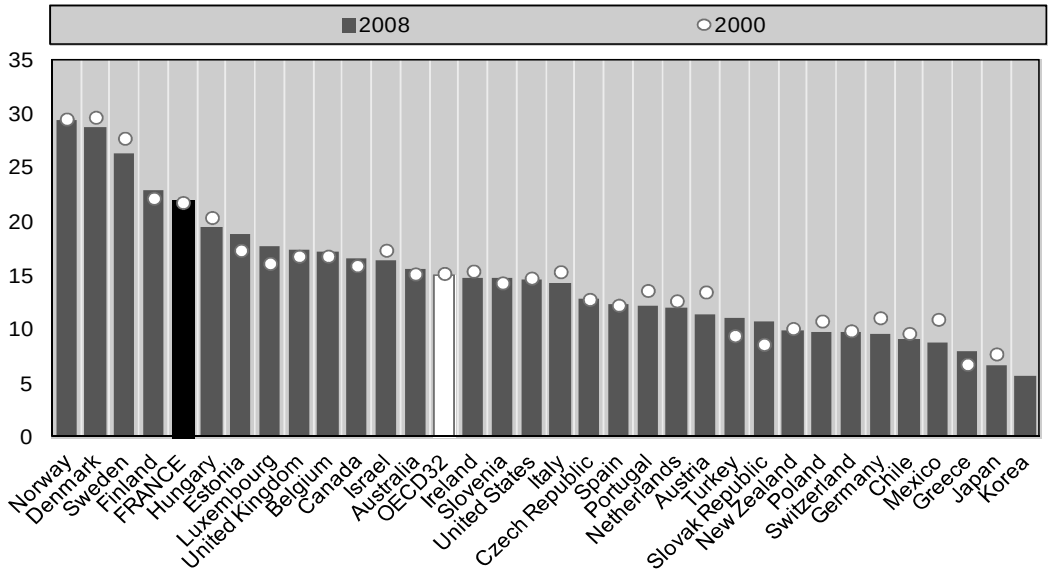
Total public employment in France is high but it is not among the highest for OECD countries. As a percentage of the workforce, employment in general government is among the highest in the OECD, at around 22%, but as a percentage of the total population it is slightly lower. As a percentage of the total population, the French rate of employment in general government is 15%, behind Finland (17%), Sweden (22%) and Denmark and Norway (around 23%-24%). (See Figures 5.1 and 5.2.)

The level was rising steadily until recently

The share of public employment in total employment has been rising almost continuously. From 1980 to 2007, total employment grew by 16.4% and the population by 18.3%, while the total workforce of the three civil services[4] jumped by 36.3% and its share in total employment rose from 17.8% to 20.6% (Court of Accounts, 2009). More recently, from 1998 to 2008, employment in the civil services slowed its pace of growth, rising by only 14.2% while total employment grew by 10% (Ministry of the Budget, Public Accounts, the Civil Service and Reform of the State, 2010a).

Figure 5.1. **Employment in general government**

% of the labour force

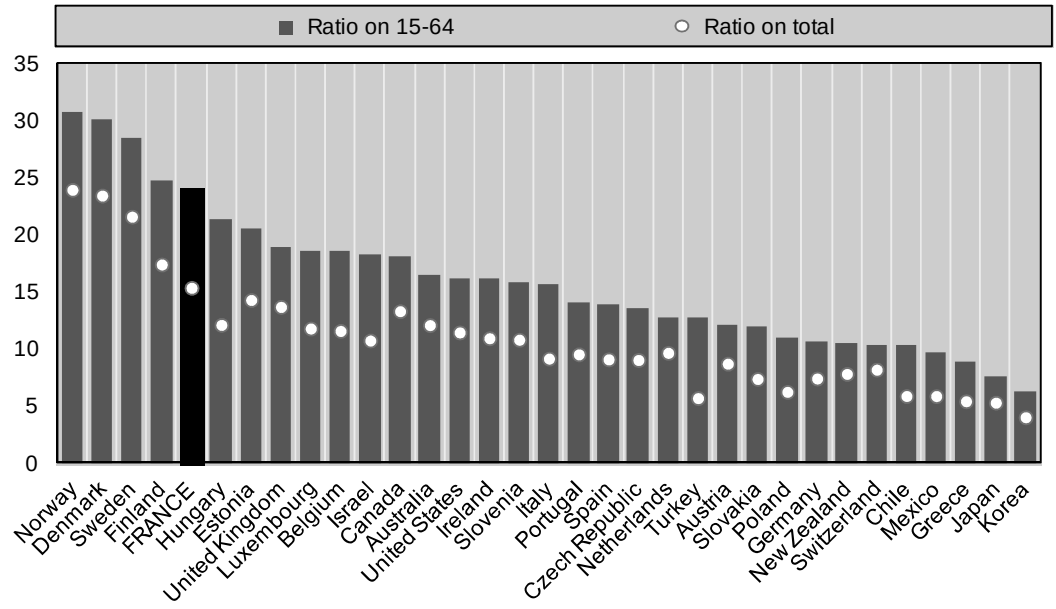


Note: Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

Source: OECD (2011), *Government at a Glance 2011*, OECD Publishing, Paris, p. 103, *http://dx.doi.org/10.1787/gov_glance-2011-en*.

Figure 5.2. **Employment in general government**

% of population aged 15-64 and of total population



Note: Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

Source: International Labour Organisation (ILO), *LABORSTA database* and *OECD Labour Force Statistics database*. Data for Turkey are from the Ministry of Finance and the Turkish Statistical Institute. Data for Japan for employment are from the Establishment and Enterprise Census.

In absolute terms, from 1980 to 2007 the central government civil service grew by 14.3% (311 000 jobs),[5] the sub-national governments' civil service by 71.2% (727 000 jobs), and public hospital staff by 54.3% (365 000 jobs), for a total increase of 36.3%, with a significant decrease in growth in the years around the turn of the century, although with the hospital and sub-national civil services growing much more swiftly than the total population or the total workforce (Court of Accounts, 2009).

Between 2007 and 2008, total staffing levels of three civil services showed no growth at all, reflecting the downsizing of the central civil service (Ministry of the Budget, Public Accounts, the Civil Service and Reform of the State, 2010a). Despite these encouraging figures for those two years, however, the fact is that the costs of services provided by the private sector but financed by general government increased by around two percentage points of GDP between 2007 and 2010 (see Chapter 1).

There has been a recent decline in the size of the central government civil service

The stabilisation in the growth of the overall civil service, in particular since 2007, is due to the downsizing of the civil service at the level of central government. From 1980 to 2006, the central civil service grew by 373 000 (or 17%),[6] keeping pace with the growth of the total workforce. Despite improvements in productivity and economies of scale, this increase might be considered justifiable in light of possible improvements in the quality and quantity of public services supplied. But these constant increases certainly raise questions when it is recognised that many missions of the central government were downloaded to the sub-national governments, especially after the first wave of decentralisation. The Court of Accounts has noted that it was only with the second wave of decentralisation that the size of the central civil service declined. Moreover, that decline occurred only in certain sectors affected by decentralisation.

Since 2006 there has been a clear drop in employment in the central government civil service (from 1996 on, the increase in the central government workforce was already less than that in total employment, but it continued to rise in absolute terms). The average annual increase in the central government civil service from 1990 to 2008 was -0.1% (while the civil service at sub-national government level rose by 3.4% annually, or 39.6% overall), and -10% between 2006 and 2009. Over the period 2006-2011, the Centre for Strategic Analysis (2011) estimates that central ministry staffing fell by 16.5%, of which more than 5 percentage points represented a decrease in employment and the remainder was accounted for by redeployment to other government structures (state operators or sub-national governments). In total, with the projected elimination of 150 000 jobs in the central government civil service by 2012, thanks to the RGPP, the size of the central government civil service will be reduced from its 2008 level by around 6.4%, representing cuts of 1.5% per year.[7]

It is hard to assess the scope of this reduction against the reductions made in other OECD countries in recent decades. The perimeter of the civil service and of public employment in fact differs greatly among OECD countries. Moreover, a significant portion of cutbacks in public employment or in central government employment in some OECD countries in the 1980s and 1990s was the result of moves to privatise or delegate responsibilities to organisations that were not necessarily included in public employment figures.

A total reduction of 6.4% in the central civil service is in any case relatively modest in comparison with what has occurred in other OECD countries that undertook comprehensive reforms, or those that were obliged to make drastic cuts because of

current fiscal obligations (see Table 5.1). For example, Canada reduced its federal public service by 20% between 1993 and 1998, or by 16% when the positions transferred to other levels of government or to the private sector are taken into account. According to the Gershon Review, between 2004 and 2008, or prior to the current reform, the central government in the United Kingdom had already shed 86 739 positions, representing around 3% of central government employment or, in fact, 13% of the "central civil service",[8] which represented a significant reduction effort in certain groups.

Table 5.1. **Planned workforce reductions in OECD countries (central government) as of 2010 or programmes underway**

Country	Planned reductions
Austria	3 000 federal employees by 2014 50% replacement rate for retirees
Czech Republic	10% reduction in 2010
Finland	Through the productivity improvement programme, government employment is to be reduced by 13 529 FTE, or 15% by 2015, of which 6 445 had been eliminated in 2010
Germany	10 000 federal employees by 2014
Greece	10% replacement rate for retirees
Ireland	24 750 public jobs by 2014
Italy	10% replacement rate for retirees
Japan	Reduction of 5% since 2005
Netherlands	Between 120 000 and 150 000 public jobs by 2015, with differentiated targets among activity sectors (-25% for support functions, -20% for policy functions)
Poland	10% reduction
Portugal	Hiring freeze, 50% replacement rate for retirees
Spain	10% replacement rate for retirees (sectoral modulation)
Turkey	50% replacement rate for retirees
United Kingdom	490 000 public jobs, or around 9% of total public employment

Source: OECD (2010), "OECD Survey on Strategic Human Resource Management", OECD, Paris; OECD (2010), "OECD Survey on Fiscal Consolidation", OECD, Paris; Inspection générale des finances, Ministry of Economy, Finance and Industry, and Ministry of the Budget, Public Accounts, the Civil Service and Reform of the State (2011), "Étude des stratégies de réforme de l'Etat à l' étranger", Report n°2010-M-098-02, April, Paris.

An annual reduction of 1.5% is, in fact, close to the productivity gains regularly demanded of governments in certain countries that make "automatic productivity cuts" (see Chapter 2). It should be noted that the "automatic productivity cuts" demanded generally exclude sectors where labour productivity gains are fewer than those in the rest of the economy, such as policing, justice or education (see Chapter 2).

The 50% replacement rate and the question of maintaining capacities

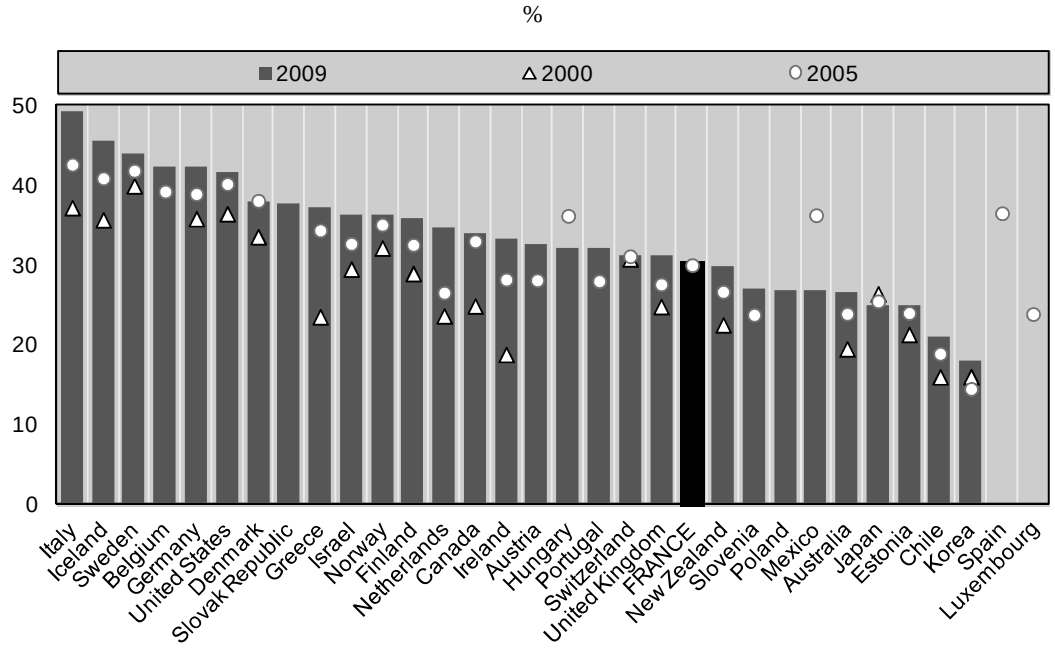
Beyond the reallocation of a portion of personnel to sub-national governments, the net decline in central government employment is the result of an active policy of the RGPP not to replace one in two civil servants upon retirement. Under that rule 150 000 positions are programmed for elimination by the end of 2012.

Given the bulge in retirements related to a particular demographic pattern, the OECD generally recommends that countries should seize this historic and unique opportunity to: *i)* reallocate human resources across sectors in order to meet additional demand for staff in the social sectors, sparked in particular by the ageing of the population; *ii)* reconsider the division of labour between the public and private sectors in terms of service delivery,

especially in the social sectors; and *iii)* reduce personnel costs due to the fiscal pressures created by an ageing population (OECD, 2007).

For historical reasons, the retirement rate is particularly high at the present time, but it is bound to decline in a few years. There is, then, a unique opportunity in many OECD countries to restructure the workforce and adapt it to the challenges of tomorrow. The recommendations to take this opportunity for workforce restructuring are especially important for countries with high public employment levels.

Figure 5.3. **Central government employees aged 50 years or older, 2000, 2005, 2009**

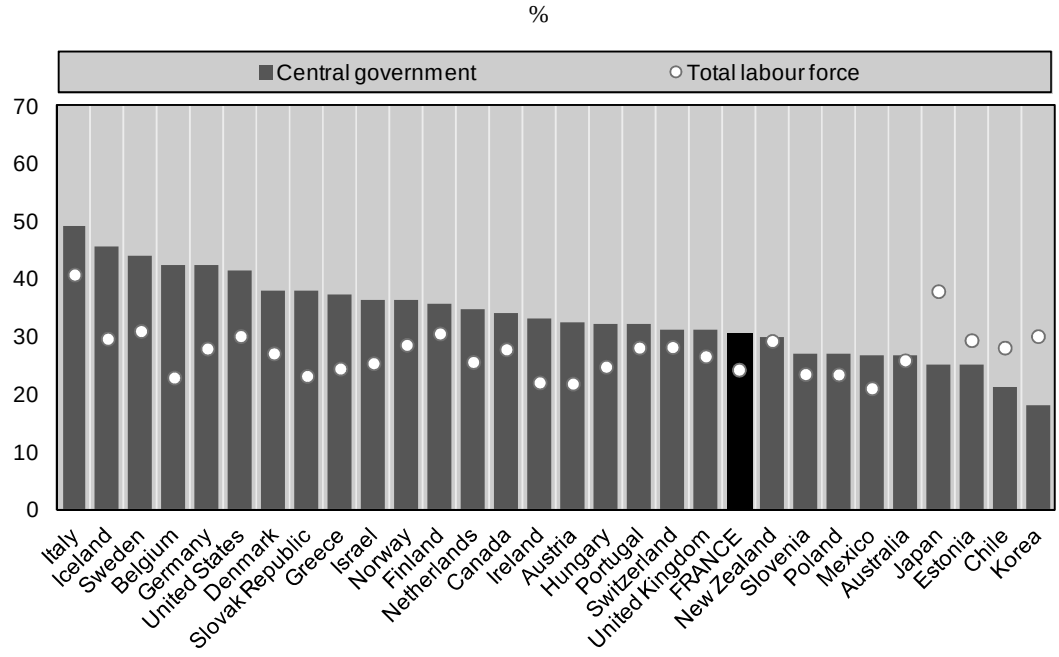


Note: Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

Source: OECD (2011), *Government at a Glance 2011*, OECD Publishing, Paris, p. 103, *http://dx.doi.org/10.1787/gov_glance-2011-en*.

As Table 5.1 shows, France is not the only country to have implemented this policy of taking advantage of retirements to reduce the workforce or change its sectoral allocation. Faced with the current economic and fiscal crisis, many countries – including Austria, Finland, the Netherlands and the United Kingdom – have announced important cutbacks in their public service. Other countries have announced systematic application of replacement rates below 100%: these include Greece, Italy and Spain, with replacement rates of only 10% (but with great sectoral differentiation) and Austria, Portugal and Turkey, with replacement rates of 50%. It is clear, moreover, that all those countries that have announced personnel cuts or significant operating budget cuts will rely as much as possible on retirements for reducing their public workforce.

Figure 5.4. E**mployees aged 50 years or older in central government and total labour force, 2009 or latest available year**



Note: Information on data for Israel: *http://dx.doi.org/10.1787/888932315602.*

Source: OECD (2011), *Government at a Glance 2011*, OECD Publishing, Paris, p. 103, *http://dx.doi.org/10.1787/gov_glance-2011-en.*

The reduction in public employment in France has been limited so far, and it does not yet appear to be threatening capacities, as has happened in other governments in the course of past workforce rationalisation programmes. It is impossible to evaluate the rate above which these issues would arise today, because that rate will vary so much across countries, organisations and services. It can safely be assumed, however, to be higher in a country that is making cuts for the first time and has no tradition of broad organisational reform, compared to countries where the efficiency drive has been steadier over time. Yet care must be taken in the future: OECD experience reveals the problems that can arise in terms of the level and quality of public services when this rate is exceeded. A number of evaluation reports[9] have noted that, in the absence of micro needs analysis, hiring cuts or freezes have led to localised skills shortages, lack of flexibility in adapting to new missions, continuous learning problems, and subsequent weaknesses in the age pyramid and consequently in competencies. As soon as the macroeconomic situation improved, this resulted in staffing increases that cancelled out past efforts. A staff reduction policy imposed without a detailed needs analysis by sector can turn out in the long run to be more costly than beneficial in fiscal terms.

It is also important to note that, in its efforts to rationalise its workforce, a government may find itself constrained to impose relatively standard downsizing rules across sectors and functions when management of the civil service is not sufficiently flexible to achieve significant reductions in certain sectors or for certain functions, or to reallocate personnel between those sectors and functions. The analysis in the following section shows that the flexibility of the civil service in France falls well short of that in

other advanced OECD countries. This does much to explain the relatively weak sectoral differentiation in the workforce downsizing.

There has in fact been some significant sectoral differentiation in enforcement of the "1 in 2" rule in France, and higher education, research and justice have been exempt from the 50% replacement policy. On the other hand, some ministries, including Defence, Foreign Affairs, Agriculture, Budget, and Ecology, have exceeded the "1 in 2" adjustment. These cuts are in part identified as the result of productivity gains in connection with the RGPP reforms, such as certification or dematerialisation procedures, reorganisation services, and pooling of support functions. Others are less directly linked to the reforms and, strictly speaking, they represent workforce adjustments in response to service objectives and opportunities for improving productivity in certain services.

Table 5.2. **Cumulative change in employment ceilings between 2006 and 2011: contribution of different sectors**

Ministries	Non-replacement rate 2008-2012 ("1 in 2"= 50 %)	Net creation of positions (net of transfers to agencies, transfers following decentralisation) as a % of the total by ministry
Foreign Affairs	-86%	-6.8%
Food, Agriculture, Fisheries	-63%	-7.4%
Budget	-61%	-9.3%
Culture and Communication	-34%	-4.1%
Defence	-89%	-11%
Ecology, Energy, Sustainable Development	-63%	-6.5%
Economy, Industry and Employment	-45%	-7.5%
National Education	-40%	-6.3%
Interior, Overseas, some National Authorities and Immigration	-45%	-5.2%
Higher Education and Research	-2%	-0.1%
Justice	47%	5.8%
Prime Minister's Office	100%	
Labour, Solidarity and Urban Affairs, Health and Sports	-64%	-8.2%

Notes: The notes to the source document point out that, in the culture and communication sector, the non-replacement rate is related to the stabilisation of staffing levels in higher education institutions. In the case of the Prime Minister's Office, the increase reflects the transfer of positions from other ministries. These figures do not take into account the efforts made by state operators.

Source: Ministry of the Budget, Public Accounts and Reform of the State, Synthesis document from the 6th Public Policy Modernisation Council, *www.modernisation.gouv.fr*, consulted in January 2012.

However, the cumulative change in employment ceilings between 2006 and 2011 gives an idea of the efforts made by ministries. The variance in terms of employment ceilings is still quite minor. In no ministry does the rate exceed -11%, and in only one ministry is it above 0 – the Ministry of Justice, with +5.8%.

When it comes to functional differentiation (there is often a tendency in favour of staff cuts for back-office rather than front-office functions), there are no data available for the moment. Chapter 3 looks at this question for support functions.

The "1 in 2" rule has probably been an asset in implementing the RGPP. Because nearly all ministries are subject to the same policy principle, there is a feeling that the reform efforts are being shared, and this has helped to make them more acceptable. On

the other hand, given the relative lack of human resource flexibility, it was not obvious that there was any other solution for reducing the public workforce. Retirements, in light of their historic importance, thus constituted a unique opportunity.

Today, while the principle of using retirements to restructure the workforce seems essential, the manner of applying that principle needs to be revisited. Beyond the broad organisational reforms of the RGPP, it may be assumed that ministries have reduced their staff levels when a simple reorganisation was enough to accomplish a workforce reduction. As the cutting continues into the future, decisions will have to be taken in terms of major reorganisations, and adjustments will have to be made to the missions of central government or to the manner in which public services are provided.

In the future, the "1 in 2" principle should be applied in accordance with three broad principles:

1. There should be continued pressure on sectors with relatively strong productivity gains, by applying, for example, automatic productivity cuts (see Chapter 2). These will generally exclude the "front office" in sectors such as national education, police, justice, where the quantity or the quality of services is relatively more dependent on the number of employees interfacing with the public. On the other hand, support functions are generally good candidates for ongoing cuts because they offer productivity gains. In fact, nearly 30% of the staff cuts programmed for 2012-2013 (apart from national education) concerns support functions, although their proportion of total ministerial staff is only half that figure.
2. For the front office in public services, reductions are always possible when there are productivity gains to be reaped (for example, with e-government) or when there is a staffing surplus. The situation should be assessed, however, before cuts are made, and the cuts should be carefully examined in order not to reduce the quality of services. International comparisons by sector can be useful in this context.
3. The "1 in 2" rule can be applied in the case of adjustment, reduction or adaptation in the missions of central government, and even in the front office, but this must be done in a strategic manner with an inter-ministerial vision that takes into account the different objectives of public policies and does not lead to a reduction in service quality.

Ensuring the sustainability of cost reductions through staffing cuts

A staffing cut should produce real long-term productivity gains

The first condition for the sustainability of cost reductions achieved through staffing cuts is, of course, that those cuts should be real and should reflect a productivity increase or an adjustment in the ways of carrying out missions. Experience in OECD countries shows how important it is that efforts to reduce public employment should be clearly identified and that those cuts resulting from efficiency gains should be distinguished from the ones resulting from cuts in government missions and those resulting from reallocations within public employment, in particular transfers of personnel or of responsibilities to local authorities. In France today, staffing cuts in the central government resulting from transfers are relatively clear, as is the breakdown of cuts between ministries.

The transparency of the costs associated with the staff reductions will become an even more important issue if the central government undertakes a future review of its missions, even if this is confined to very "capillary" results as recommended in Chapter 2. It will then be very important to note that these reductions result from abandoning a mission, and to monitor the costs involved in that change.

Achieving lower production costs

In order to ensure a productivity increase, the costs of outsourcing services to the private sector need to be monitored closely. The reduction in public employment must not be followed by an increase in outsourcing costs, thereby negating efforts at budgetary savings.

Operating budgets (excluding compensation costs) are subject to a significant tightening of 10% until 2013, off-setting the natural tendency to rise in the wake of a public employment cutback (mainly because of greater procurement or outsourcing). This is also the case in some other OECD countries today, such as Canada, the Netherlands and the United Kingdom, which have imposed a freeze or a cut in general operating expenses.

A reduction in the number of public employees will be politically popular, but the government will have to institute monitoring of the costs of producing public services (public employment costs + costs of goods and services financed by government but supplied by the private sector). These costs of producing public services are readily identifiable in the *National Accounts*, allowing a link with the public deficit, but there is need for a more detailed analysis than that in the *National Accounts*.

A workforce reduction must be sustainable over the long term

Experience in OECD countries shows that, once economic growth recovers, there is a tendency to make up for lost positions, entailing significant hiring and training costs. It is crucial, then, to ensure that the reforms are sustainable, i.e. that they are not followed by staffing hikes as soon as economic growth returns.

This means, first, that governments should not feel "suffocated" by personnel shortages. In France today, many restructurings are under way (see Chapter 3) which, if they have not yet produced their potential productivity gains and the consequent staff reductions, should nevertheless restore to ministries some leeway in reallocating employees when they need to find staff for certain priorities.

Next, in order to support future staff cuts, there needs to be some strategic thinking at the micro or ministerial level about allocation of the workforce, the priorities and missions of government, and the required competencies. France has all the tools needed to engage in such thinking: a modern budgetary process with solid indicators (the LOLF), and sophisticated, forward-looking employment and competency management. Yet these tools are apparently still "new" and not always well co-ordinated, and they are just beginning to be used for cost reduction purposes. There has been little hard thinking about central government's long-term missions, except for a few sectors such as defence.

Similarly, planning for future competency needs does not seem to have entered very clearly into the workforce reduction policy. There has been a significant relative decline in the number of Category C (less qualified) employees, for whom the replacement rate upon retirement is only half that for Category A, and a third that for Category B.[10] This tendency is fairly widespread in OECD countries, with the central government refocusing

on its policy-making and supervisory functions, which require highly qualified staff, whereas the implementation tasks are often delegated to the private sector or to the sub-national governments. Nevertheless, this tendency seems to be pursued in a rather "*ad hoc*" manner, without much advance planning and with no long-term monitoring.

It is important, then, to focus on the continuity of efforts in terms of human resources, with an eye to the future return of economic growth, which could generate employment increases. Staffing cuts need to be more clearly linked to thinking about missions and the competencies required to carry them out.

To conclude this discussion of workforce reduction management, a study of employment restructuring in OECD countries identified 13 lessons (Box 5.2) and recommendations to governments.

Box 5.2. **Lessons from workforce restructuring experience in OECD countries**

1. The workforce implications of any public service reform or innovation need to be considered and planned for from the outset both in terms of any anticipated staff reductions or redeployment and in terms of managing the change so as to minimise disruption, protect capacity and continuity of service and avoid as far as possible depressing trust and morale.
2. Workforce reduction and reallocation measures should not be stand-alone. They should be part of broader reforms. There appears to be scope to make better use of a combination of instruments to manage the workforce, particularly by better integrating HRM instruments such as workforce planning, skills strategies and redesign of work with budgeting instruments such as automatic productivity cuts, performance management and programme/spending reviews.
3. Using a combination of instruments can help to reduce the disadvantages associated with any one instrument. For example, spending reviews can help to target cuts; instruments that drive ongoing productivity improvements may reduce the need to resort to *ad hoc* cuts; investment in skills renewal and support for redeploying staff can help to preserve the capacity of the public service and maintain the trust and morale of employees.
4. While countries appear to be continuing with reforms aimed at improving the productivity and capacity of the public service even while implementing cutbacks, this will be a difficult balance to achieve. There is a risk that the focus will shift to seeing staff as costs rather than as assets. The challenge is to implement workforce productivity improvements that recognise the balance between costs and the quality and continuity of service. For government services, continuity of service is a core value related to citizens' trust in government and the public administration.
5. Countries need to plan better for dealing with the impact of ageing populations and other demographic developments on the public service and to pay more attention to future skills needs. There are some examples of how such planning can be part of a coherent set of productivity-focused reforms aimed at reshaping the public service.
6. Workforce planning remains an under-used instrument in many countries, although some have developed sophisticated systems to link workforce planning and management to strategic planning, budgeting and public policy evaluation.
7. Other instruments that remain under-used include assessment of future capacity and human capital requirements and development of strategies and instruments to address future needs (e.g. skills strategies, recruitment strategies, competency management, HRM policies that will support innovation, the development of leaders).

Box 5.2. **Lessons from workforce restructuring experience in OECD countries** (*cont.*)

8. There appears to be considerable scope for some countries to make HRM and employment provisions in the public service more flexible in order to support the adaption of the workforce. The economic crisis may offer a window of opportunity for reforms. Governments have to make sure, however, that when pursuing flexibility they do not undermine HRM rules that prevent patronage and corruption.
9. There needs to be better evaluation of how structural reforms such as outsourcing, creation of arm's-length agencies, movement of staff to sub-national levels of government and privatisation or corporatisation have affected the size of the workforce and production costs of publicly funded goods and services over the long run and how the workforce aspects of such reforms can best be managed. Given that governments in some countries are now embarking on further rounds of privatisation and corporatisation, better insights into these aspects are needed.
10. The use of automatic productivity cuts to drive more efficient staffing (not only staffing levels but also redesign of work and other changes in how services are delivered) remains under-analysed. More needs to be known about the advantages and disadvantages of this approach and how it can be integrated into workforce planning and management.
11. Large-scale downsizing is the most problematic option for workforce adjustment. Assessments have highlighted a variety of negative effects on the capacity of the workforce as well as on trust and morale, and the longer term sustainability of staff reductions achieved in this way has been questioned. There is also the risk of loss of trust on the part of citizens if downsizing undermines the continuity of services. If governments feel they have no option but to embark on such programmes they need to be aware of these risks and take steps to minimise the adverse effects. Experience suggests that close attention to managing the human aspects (for remaining staff as well as those leaving) and use of strategic workforce planning to assess workforce requirements in advance of implementing cuts are essential elements in this regard. A differentiated approach to staff reductions appears preferable to across-the-board cuts.
12. Recruitment freezes are probably the most detrimental approach to downsizing because they are indiscriminate and they limit the ability of organisations to restructure and reskill. Moreover, as they tend to be protracted, the impact on the morale of staff and managers and on the capacity to deliver services is likely to be significant.
13. Redeployment arrangements in the context of staff reductions can help to retain skills and experience as well as help to manage the industrial relations aspects of downsizing. More needs to be done also to break down barriers to redeployment and mobility to support restructuring of services and optimal use of skills in the public services.

Source: OECD (2010), "Getting it right: restructuring the government workforce", Public Employment and Management Working Party, Public Governance and Territorial Development Directorate, Paris, 9-10 December, OECD, Paris.

In relation to the OECD recommendations on restructuring public employment, the RGPP has taken thorough account of demographic trends in the civil service to make cuts, thanks at least in part to the productivity gains expected from the broader organisational changes of the RGPP (in particular the pooling of support functions). The staff cuts have been announced and the costs minimised by resorting to the 50% replacement formula. Lastly, the figures on staff reductions are thoroughly transparent. These reductions have been accompanied by structural reforms to improve mobility.

Nevertheless, by comparison with these good practices, there are some important shortcomings in terms of limited sectoral differentiation (see above) and a failure to integrate the workforce reduction policy into broader and more systematic long-term planning for the competencies that will be needed in the civil service as the missions of central government evolve. National defence is a sector where thinking about missions, competencies and staffing requirements is far advanced, as exemplified in the *White Paper on Defence and National Security*, a ground-breaking exercise conducted in parallel with the RGPP in an attempt to define what the defence sector would look like in 2020.

Although the French administration has an outstanding tool for centralising data on staffing levels and competencies, there seems to be little in the way of a long-term strategic vision of future competency needs (as is also the case in some other OECD countries). Consequently, there is no clear strategy based on a systematic assessment of the sectoral allocation of human resources, such as other countries have conducted or are now conducting. Denmark, for example, has made it a systematic principle in its workforce policy to reduce the back-office workforce so as to be able to boost staffing levels in old-age support services. France has yet to make the sectoral allocation choices that will determine the strategic positioning of the civil service of tomorrow, or any such choices have been made *ad hoc*, perhaps generating once again some unnecessary labour costs. This strategic prioritisation will, in the future, have to be done centrally in order to determine the broad strategic path for central government as a whole.

Sharp increases in local government staffing levels

As noted above, the bulk of public employment growth over the last 20 years has taken place at the local government level and in the public hospital service. Data on that service are difficult to evaluate in light of the growth in demands on the health system in all OECD countries during previous decades. Payroll data can be supplemented with data on the number of physicians and nurses per 1 000 inhabitants (covering all physicians, and not just those in the public hospital service), which in the French case reveal physician-per-capita ratios lower than the European average, and average ratios for nurses (OECD, 2011c). In comparison with other OECD countries, increases in the public hospital service workforce are probably consistent with the rising demands on the health system.

On the matter of staffing growth in the sub-national civil service, the Court of Accounts (2009) notes, on the other hand, that the most important increase has taken place in the communes and inter-communal structures, where it rose by 49.9% from 1980 to 2007 (341 000 jobs) in the communes, by 154% in the inter-communal structures (263 000 jobs), 48% in the d*épartements* (790 000 jobs), and 1 964% in the regions (which represent, however, only 44 000 jobs and have seen major downloading of responsibilities). From 1996 to 2008 alone, the number of public employees in the communes and inter-communal structures increased by 470 000,[11] reflecting accelerated growth. This occurred even though the communes did not receive major transfers of responsibilities during that time.

Trends that affect the central government civil service in France often produce similar trends among the local authorities, beginning with status and compensation. While the RGPP concerns only central government management, it can be expected to have "ricochet" effects on local government management. In any case, the public employment figures show the need for reform of the local organisational *millefeuille*, for a proactive

approach to ensure the transfer of staff from the communes to the inter-communal structures, and for closer monitoring of staff increases, as the rule for local authorities' operating expenses[12] is not enough to guarantee efficient expenditure choices.

The question of applying the RGPP as an organisational model for local RGPPs is discussed at the end of Chapter 2. Because deficit rules and public debt rules take into account all levels of government, and in light of the staffing growth at the local level, it is essential to ask local authorities to make a major effort, especially at a time when high retirement rates make such changes easier,[13] and to rethink the *millefeuilles* of decentralisation and deconcentration (see Chapter 2).

Compensation levels

The commitment to redistribute to employees half of the gains from the "1 in 2" rule has been honoured, making the payroll reduction of government workforce more difficult

One of the RGPP commitments was that half of the financial savings from the "1 in 2" rule would be redistributed to public employees. By all evidence, this commitment has been respected and perhaps exceeded. The *retour catégoriel* (category-based return) to employees is estimated by government to be comparable to that for the ten years preceding the RGPP, at around EUR 0.5 billion a year, thus representing about 50% of the gains from the "1 in 2" policy. The Court of Accounts, however, has calculated the all-in return to employees at around 80%.[14] The difference between these two estimates depends on the scope of the measures taken into account in the definition of "category-based measures of return to employees" (Court of Accounts, 2010). For our purposes, regardless of the debate over defining what is linked to the RGPP or not, it must be noted that the return to employees from the "1 in 2" rule is added to other significant measures that have increased pay: in total, pay increases during the RGPP implementation period exceeded 50% of the return to employees from the "1 in 2" rule. The question is what impact this return to employees is having on pay levels and on current budgetary issues, and whether the pay adjustment mechanisms today allow for a fair and effective policy to promote a competent and well-performing civil service.

The weight and the trend in civil service compensation within central government expenditures are fairly easy to assess, using the *National Accounts*. Estimating the trend in public employees' purchasing power, on the other hand, is complex, and must take into account a number of factors that make for uncertainty. Even more caution must be observed in comparing this with purchasing power in the private sector, where qualifications and competencies are different. Lastly, it is not possible today to measure overall compensation in the civil service against that in the private sector, and inter-country comparisons are even less feasible. The OECD publishes inter-country comparisons for certain positions, but France does not currently participate in those studies.

In France there is much debate over the trend in civil service purchasing power, and none of these measures can be considered perfect. There are a whole series of factors that must be taken into account in addition to the average per capita salary, including the effect of structure (distribution of employees by corps, grade and step), resulting from career effects (promotions, individual advancement and statutory and category measures), which are always positive, and the effect of hiring and departures, which is generally negative.

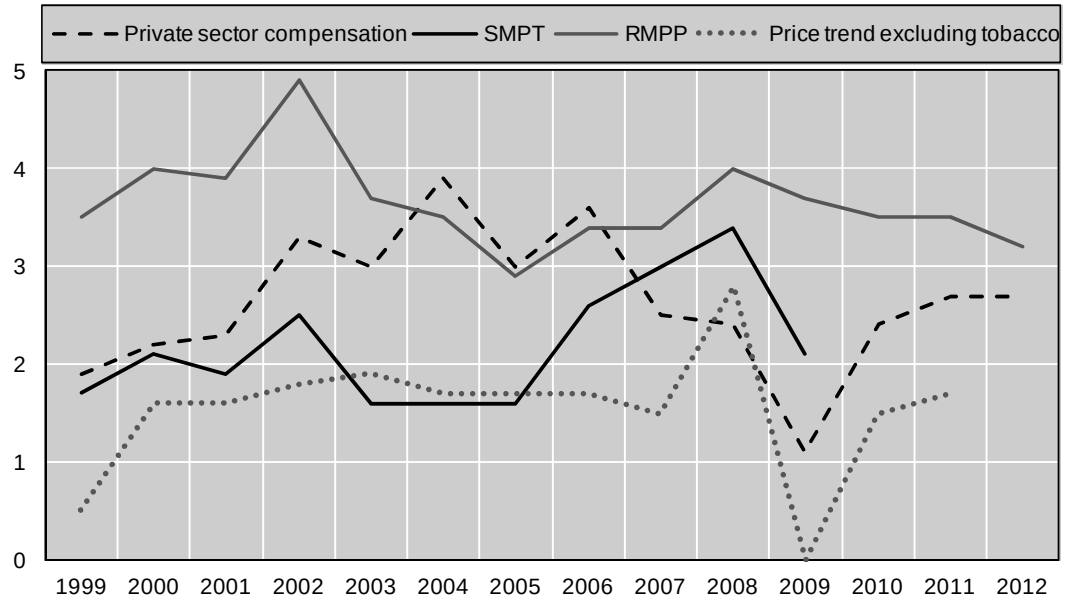
To obtain an idea of the trend in compensation and purchasing power, several indicators must be used, namely "serving staff average pay" (*rémunération moyenne des personnes en place*, RMPP), which takes into account the effects of structure, average per capita salary, which takes into account the effect of hiring and departures, and finally the trend in pay provisions in central government budget.

From 1998 to 2008, the average per capita salary consistently outpaced inflation, except in 2003-2004 and 2005, when it fell slightly short. As to the RMPP, it has changed by between 3% and 5% per year, with around 2% reflecting the career effect (and less generally the effect of appointments and departures). Figure 5.5 shows that, since 2006, public sector compensation has been more generous than that in the private sector, whereas the situation was the reverse at the turn of the century (see Figure 5.5).

Many measures have been taken in favour of state public employees' compensation and purchasing power since 2007, some of which are part of the RGPP and others not. They include in particular:

- The value of the "index point", to which 90% of the EUR 85 billion payroll is indexed (Court of Accounts, 2010) rose every year until 2010 (0.5% in March 2008, 0.3% in October 2008, 0.5% in July 2009, 0.3% in October 2009, and 0.5% in July 2010, representing about EUR 500 million a year), and stabilised in 2011 and 2012.
- The wage agreements of 21 February 2008 created an Individual Purchasing Power Guarantee (GIPA) mechanism as a bonus to compensate for the shortfall in the *traitement indiciaire brut* (TIB, "gross indexed pay") below inflation over a four-year period. In 2009 and 2010, respectively, 107 520 and 55 488 employees received the GIPA in amounts averaging between EUR 846 and EUR 797, for a total of EUR 110 million in 2009 and EUR 41 million in 2010.
- The lowest salaries have been adjusted upwards, thereby maintaining a difference of more than 7% with the SMIC (minimum wage) since 2007 (excluding bonuses), and some of the initial steps were also increased. In 2011, these measures benefited 755 500 employees across the three civil services, for a total cost of EUR 173 million (of which EUR 19 million for the central civil service).
- Various category-based measures were also taken (whether or not as part of the "category-based return to employees" pursuant to the 1-in-2 policy), in a cumulative amount of EUR 1.4 billion from 2007 to 2010, with EUR 1.5 billion projected between 2011 and 2013. Examples of such measures include upward wage adjustments for young teachers and an overhaul of the index grids for Category B and for the military, an increase in compensation for police officers, and support for merging the taxation and public treasury services.
- Measures needed to support the RGPP restructurings in favour of geographic and functional mobility of employees (service restructuring bonus, spousal mobility grants, voluntary separation allowance, temporary mobility allowance).

Figure 5.5. **Trends (growth rates) in private sector compensation, average per capita salary (SMPT) in the central government civil service, and serving staff average pay in the central government civil service, and prices (excluding tobacco) in France between 1999 and 2011**



Notes: SMPT: average per capita salary; RMPP: serving staff average pay. Average private sector compensation includes social contributions, but this should not significantly affect the trend in the percentage of compensation. On the contrary, it seems that excluding the Special Allocation Account (*Compte d'affectation spécial*, CAS) for central government retirees tends to understate increases in the public sector compared to the private sector.

Source: Ministry of the Budget, Public Accounts, the Civil Service and Reform of the State (2010), "Rapport annuel sur l'état de la fonction publique: faits et chiffres 2009-2010", Vol. 1, La documentation française, Paris, *http://lesrapports.ladocumentationfrancaise.fr/BRP/114000001/0000.pdf;* Ministry of the Budget, Public Accounts and the Civil Service (2011), "Rémunération et pouvoir d'achat dans la fonction publique: éléments statistiques de reference", for the salary meeting of 19 April 2011, DGAFP; OECD (2011), "OECD Economic Outlook No. 89", *OECD Economic Outlook: Statistics and Projections* (database), OECD, Paris, *http://dx.doi.org/10.1787/data-00539-fr*.

Table 5.3. **Quantification of restructuring support measures in 2009 and 2010**

	Number of beneficiaries		Total amount paid (EUR)		Average amount paid (EUR)	
	2009	2010	2009	2010	2009	2010
Restructuring bonus	30 124	19 042	17 613 890	39 755 754	585	2 088
Voluntary departure allowance	434	1 041	15 099 514	33 367 127	34 792	32 053
Temporary mobility allowance	198	477	435 651	1 324 530	2 200	2 777
Spousal mobility grant	23	217	142 800	1 320 414	6 209	6 085

Source: General Directorate of the Administration and the Civil Service, "Rémunérations et pouvoir d'achat dans la fonction publique: éléments statistiques de référence", for the salary meeting of 19 April 2011.

This trend in compensation is reflected in the central government budget. Thus, at a constant perimeter, and excluding CAS pension financing, the payroll rose by 1.2% in 2007, 0.7% in 2008, 1% in 2009, and 0.6% in the initial budget (LFI) for 2010. At a current perimeter (i.e. considering staff transfers outside the central government), it has declined by 0.7% per year on average (Court of Accounts 2010). While there are other

factors beyond salary increases that exert upward pressure on the payroll (such as the ageing of the public workforce – which should, however, be offset by another effect, the so-called "turnstile" or "negative GVT" (*glissement-vieillesse-technicité*) or "wage drift" effect which measures the difference between appointments and departures – the increase in social contributions and the increase in overtime),[15] it is clear that pay increases since 2007 have contributed significantly to the limited but real growth in the payroll. When account is taken of contributions to the CAS pension (where the growth rate is around 4% per year, or EUR 1.5 billion, because of the spike in retirements), the payroll can be seen to be rising significantly.

The presentation document for the three-year budget calls for a decrease in the payroll at constant perimeter of 0.2% per year from 2010 to 2013 (increase of 0.8% in 2011, followed by a cut of 0.3% in 2012 and of 0.7% in 2013). This decrease will be obtained through a combination of freezing the index point, limiting the increase in category-based measures to EUR 50 million beyond the 50% recycling of gains from the "1 in 2" rule in 2012, and an increase in the impact of the jobs scheme (elimination of positions). With these measures, it has been possible to reduce central government payroll (excluding pensions) for the first time in the 2012 draft budget law.

As the Court of Accounts has noted, this stabilisation will not be an easy task. First, technically speaking, forecasts contain some uncertainties (Court of Accounts, 2010) which lead to overestimates or underestimates. Their scope is certainly limited, but the anticipated small reduction could readily turn into a small increase. Caution would counsel taking into account the uncertainties (with respect to staffing levels, appointments and departures, the impact of "wage drift" [GVT] and the various measures) and the history of discrepancies between the initial budget laws and their actual outturn, in order to foresee the various possible trends in the payroll. Next, it will be necessary to reduce the totality of increases through compensatory and category-based measures (*mesures indemnitaires et catégorielles*).

The Court of Accounts has suggested the elimination of more positions, or capping the recycling of savings at 25%. In light of forecasts, the Court of Accounts considers it necessary to freeze the index point and to cap compensatory recycling at 50% until 2013. Over the longer term, it will be very difficult to maintain the freeze on the index point, and the Court of Account proposes holding compensatory recycling to 25% and limiting the "positive GVT" (wage drift through seniority and higher skills) by reforming the salary grids.

The gains from the 1-in-2 rule could be redistributed differently in the future

It seems that the category-based return via the RGPP has been used to target increases to a greater extent than previously (see following section), providing for catch-up by certain groups or linking increases to problems in implementing the reforms. Yet these increases have added to the difficulty of reducing the workforce, despite the shrinking number of employees.

Salary and compensatory measures to reward reform efforts or to compensate employees for some of the consequences of reform can be useful if they are targeted and time-bound. During prosperous economic times, reorganisations or workforce reductions often go hand-in-hand with pay increases. Today, however, given the current fiscal situation, it is important that the principle of returning 50% of the "1 in 2" gains should be applied in ways that will create a proportionate shrinkage of the payroll (excluding factors that cannot be directly controlled). This principle should be consolidated with all

the category-based and compensatory measures, especially in light of the significant increases since 2007. As Table 5.4 shows, many countries, in particular those with heavy public debts, have imposed a minimum financial effort on public sector employees.

Moreover, no OECD country makes it a matter of principle that restructurings and management reforms must be accompanied by additional compensation to employees on a systematic basis with benefits that are for the most part recurrent. If the challenge facing France is to institute a continuous reform, it is hard to imagine how such a principle could be applied without generating major costs and without constraining public sector managers' ability to carry out future reforms more independently.

Table 5.4. **Salary and benefit reductions for public employees planned or implemented in the central governments of OECD countries since the economic crisis, 2010**

Czech Republic	10% cut in salaries (except teachers)
Greece	Elimination of 20% of benefits and of the 13th and 14th month bonus for monthly incomes above EUR 3 000 (around 14%)
Iceland	Salary cuts for high earners, reduction in overtime pay, reduction in travel and vehicle expenses
Italy	Closure of open salary agreements, suspension of supplementary salaries for civil servants, reduced financing for negotiation funds, suspension of salary negotiations until 2013, salary cut for senior officials (5% for those between EUR 90 000 and EUR 150 000, and 10% for higher levels)
Netherlands	Salary freeze and reduction in layoff allowances
Portugal	Freeze on salaries and promotions, performance bonuses, and salary changes related to mobility, salary cuts (between 3.5% and 10% for salaries above EUR 1 500 per month), increase in pension contributions, reduction in overtime pay and certain benefits regarding accumulation of functions
Slovak Republic	10% cut in salaries
Spain	Salary cuts
United Kingdom	Salary freeze for two years
United States	Federal government salary freeze for two years (for non-military personnel) to yield approximately USD 2 billion in the first fiscal year and USD 28 billion over the next five years

Source: OECD (2010), "OECD Survey on Strategic Human Resource Management", OECD, Paris; OECD (2010), "OECD Survey on Fiscal Consolidation", OECD, Paris.

There are several aspects, then, to the issue of how to use the gains from the 1 in 2 rule that should perhaps be rethought:

- The 50% figure, to ensure that the "category-based" returns do not add significantly to other increases that will make the overall increment too much for the budget to bear and will not allow the payroll to be reduced by 50% of the gains from shrinking the workforce (excluding other factors independent of the payroll-increasing policies described above).
- The recurrent nature of the return to employees, to ensure that compensatory measures intended essentially to make the reform acceptable to employees will not become renewable (a "reform bonus" can be awarded only once and should not be added to all the renewable bonuses for employees).
- Other salary or compensatory changes to achieve catch-up for certain groups, to ensure that they are targeted as strategically as possible. This raises the question of the more general approach to managing pay policy and points to the need to continue transforming human resource management to achieve greater flexibility in the public sector (see the following section).

In the end, the debates and disagreements over the balance of the increases show that information on the various measures could be better presented in communications, allowing consensus to be reached on the scale of the return to employees. Consensus of this kind is necessary for the acceptance of the reforms and the continued use of returns to employees to gain acceptance of future reforms.

5.2. Towards a more flexible and responsive civil service

The management of pay increases (collective) could be improved

The situation in France

The fact that the return to employees has to be used to make the pay management reforms more strategic than before shows that the decision-making system concerning pay increases (at the collective level, as opposed to individual pay increases) has some structural difficulties. The reforms in other OECD countries suggest some possible avenues for improvement.

The system is centralised, and this should theoretically allow for pay control and system transparency. But in fact, there is no obvious methodology for pay evaluation. The system is saddled with many sub-systems that build in an upward bias without guaranteeing pay transparency either within the system, mainly because of the miscellaneous bonuses and allowances, or outside the system, where there is no methodology for accurately assessing all-in pay throughout the working life of public employees.

Apart from performance-related pay (see following section), recent reforms have not tackled the pay management system.

Today, miscellaneous bonuses and allowances (apart from social allowances) represent around 14% of central government employees' pay (Ministry of the Budget, Public Accounts, the Civil Service and Reform of the State, 2010a). They have continued to rise in value since 2007, while basic pay has declined. These bonuses are the result of long-standing supplementary allowances with no coherent link between different ministries or corps, and their rationale is now hard to justify. Moreover, a little less than half of the bonuses are indexed to the civil service index point, creating a built-in upward bias in compensation. These bonuses are part of the managerial discretion that has been left to ministries, but without any official recognition and without any methodical monitoring. The first step to be taken is perhaps to make the bonuses more transparent.

With respect to the major item of direct pay, i.e. salaries and allowances, the system is highly centralised and has solid statistical and budgeting tools, but the method for assessing pay could be improved and made more strategic.

There is no correlation today between inflation and general pay increases, or between pay increases in the private sector and those in the public sector. Yet, the overall level of pay in the private sector still exerts significant influence on salaries and wage negotiations. In addition to the insurmountable statistical and methodological problems at the global level – different qualifications, different qualification trends – the very principle of overall comparison can be but one indicator among many, and pay indicators by profession or occupation are more important. The civil service, like the private sector, is not a coherent whole to which a single salary policy can be applied. In addition, it would be more useful today to measure all the benefits and advantages attached to

different occupations in the civil service (including annual working hours, social benefits, pensions, etc.) and compare them with those in the private sector, rather than focusing exclusively on trends in salaries and other direct compensation.

When it comes to pay in the different occupations and corps, there is no overall methodology for considering all lifelong compensation. As well, there is too much weight accorded to "catch up" among the different sub-groups in the civil service, who are always comparing their situations, a process popularly known as the "parrot ladder".

Significant changes have been made since 2006-2007 in renewing the index grids in the civil service, including an upgrade of the Category C career, an overhaul of the grids for Category B, and higher starting pay for teachers. These upgrades seem to reflect a concern to make career considerations more coherent and dynamic. This is an interesting development, but it needs to be deepened and pursued with additional criteria.

Overall, while some progress has been made through the RGPP, the system for managing changes in government employee pay has built-in upward biases and does not make sufficient allowance for constantly reassessing the needs of each group in light of sound personnel management considerations. Paradoxically, it is also subject to lobbying pressure from certain sub-groups.

The occupation-based approach still seems to be secondary in terms of criteria. The methodology for overall pay management as well as the criteria for raising pay could be significantly improved, then, in order to bring to the fore pay increase criteria that are based on occupations that take into account the attractiveness of the civil service, the motivation of staff, and the compatibility of pay with an "ethical" attitude.

France could draw upon experience in other OECD countries

The outcomes of reforms in the most advanced OECD countries over the last 20 years clearly show that the management of pay (at the collective level) in France could be improved significantly.

To begin with, the first tendency of reforms in OECD countries has to do with the governance of pay determination, which is delegated in part to ministries and departments. In France, the delegation to ministries of a small portion of compensation (mainly bonuses) has gone hand-in-hand with pay increases that were not always justified. It is in part responsible for the shortcomings in the bonuses system. This is probably because it has not been fully recognised as a new managerial policy, and has not been monitored.

Greater empowerment of the ministries in making pay increase choices could be a good idea in France, on the very strict condition that a methodology for evaluating pay and bonuses is in place, with pay increase criteria, and that the system and the increases remain under the tight control of the Budget Ministry and the Civil Service Ministry. Greater delegation, handled in this way, could paradoxically dampen the current competition for increases among ministries and corps or sub-groups, which occurs today in a centralised way. This would allow a renewed and lively social dialogue, and ensure true "pilot" management of pay changes.

Experience with pay policy varies greatly across OECD countries. In some countries, pay decisions are delegated to the ministries (Australia, Estonia, New Zealand, Poland, Portugal, Slovenia, Sweden, United Kingdom), while in others they are entirely centralised. There are some hybrid situations as well. Resorting to general increases

(equivalent to the index point) also varies from one country to another, but with a few rare exceptions the overall pay increase envelope is determined by centralised negotiation. The criteria for general increases are today varied and flexible, and few countries still index pay increases to inflation. The second round of negotiation is often delegated to the ministries, to several ministries for some groups, or to the sub-ministry level, and increases are determined by group, within negotiating parameters. This delegation is normally framed in the following manner:

- by negotiation parameters, which will set the principles of these negotiations in light of government priorities;
- by a sound comparative methodology;
- by strict control over implementation and linkage to an accountability framework for managers (see Chapter 2).

Box 5.3. **Australian pay bargaining parameters**

1. Agreements are to be consistent with the government's workplace relations policies. These include: *i)* compliance with the Workplace Relations Act; *ii)* direct relations between employers and employees; *iii)* protecting freedom of association; *iv)* simple principles-based agreements; *v)* making Australian workplace agreements available to all staff; and *vi)* giving employer and employees primary responsibility for resolving workplace disputes (including industrial action).
2. Improvements in pay and conditions are to be linked to improvements in organisational productivity and performance. Other than in exceptional circumstances, pay increases are not to apply retroactively.
3. Improvements in pay and conditions are to be funded from within agency budgets.
4. Agreements are to include compulsory redeployment, reduction and retrenchment provisions, without at all enhancing existing redundancy arrangements. An agency minister may, in consultation with the minister assisting the Prime Minister for the public service, approve separate financial incentives to resolve major organisational change. Such incentives are to be cost-neutral to the agency in the context of the major organisational change.
5. Agreements are to facilitate mobility across the public service by: *i)* maintaining structures that are consistent with the Classification Rules, with salary advancement guided by performance; and *ii)* retaining portability of accrued paid leave entitlements.

Source: Slightly edited version of the original document "Workplace relations policy parameters for agreement making in the Australian public service", cited in Rexed, K., C. Moll, N. Manning and J. Allain (2007), "Governance of decentralised pay setting in selected OECD countries", *OECD Working Papers on Public Governance*, 2007/3, OECD Publishing, Paris, *http://dx.doi.org/10.1787/210083427643*; OECD (2010), *OECD Reviews of Human Resource Management in Government: Brazil 2010: Federal Government*, OECD Publishing, Paris, p. 95, *http://dx.doi.org/10.1787/9789264082229-en*.

Beyond the changes in the governance of pay decisions, the methodology leading to the pay decision has also evolved in OECD countries. In more and more countries, changes in salary levels are based on comparisons with equivalent jobs in the private sector. It has conventionally been assumed that salaries for the lowest categories are higher in the public sector than in the private sector, while those for the highest categories are lower. Yet there is nothing to indicate that this is the case.

On the other hand, Canadian and UK experience in assessing total pay throughout working life could be useful for sparking reform in France. Some of their methods make it possible to review pay levels from scratch, taking into account all salaries, bonuses and other benefits for all positions in assessing pay. The Canadian 2006 review of the federal public sector compensation policy and comparability was intended to "give ministers and senior officials, as well as other stakeholders an accessible, integrated and coherent presentation of the federal public sector compensation field in all its complexity". It covered 351 000 staff (of which one-quarter were Canadian military forces) out of about 500 000 employees. It included components such as salaries and wages, performance pay, recruitment and retention allowances, all allowances and premiums, overtime, retroactive payments, pensions, employer life and disability insurance premiums, employer payments for health and dental plans, severance pay, all leave usage and cash-outs of unused leave entitlements. The review concludes on the comparability of salaries and other benefits, and calls for many changes in the governance and management of employee compensation (OECD, 2010c).

In the United Kingdom, financial constraints worsened by the financial crisis led the government to focus on other elements of the reward package. The "total rewards" strategy is a response to this challenge (see Box 5.4).

Other developments in the management of mobility, careers, performance and recruitment need to be reinforced

Closing the gap with the leading OECD countries

The human resource management (HRM) developments in the RGPP are on the whole very important for the future of the civil service, for HRM is one of the key areas of structural weakness in the management of the French government, compared to other advanced OECD countries (see Chapter 1). The reforms undertaken by the RGPP represent a start at catching up with civil service developments in advanced OECD countries. While some reforms were already under way at the beginning of the RGPP, the pace has been accelerated, thanks in part to publication in April 2008 of the *White Paper on the Future of the Civil Service*, which involved a participatory process and produced conclusions that seem relatively acceptable to all.

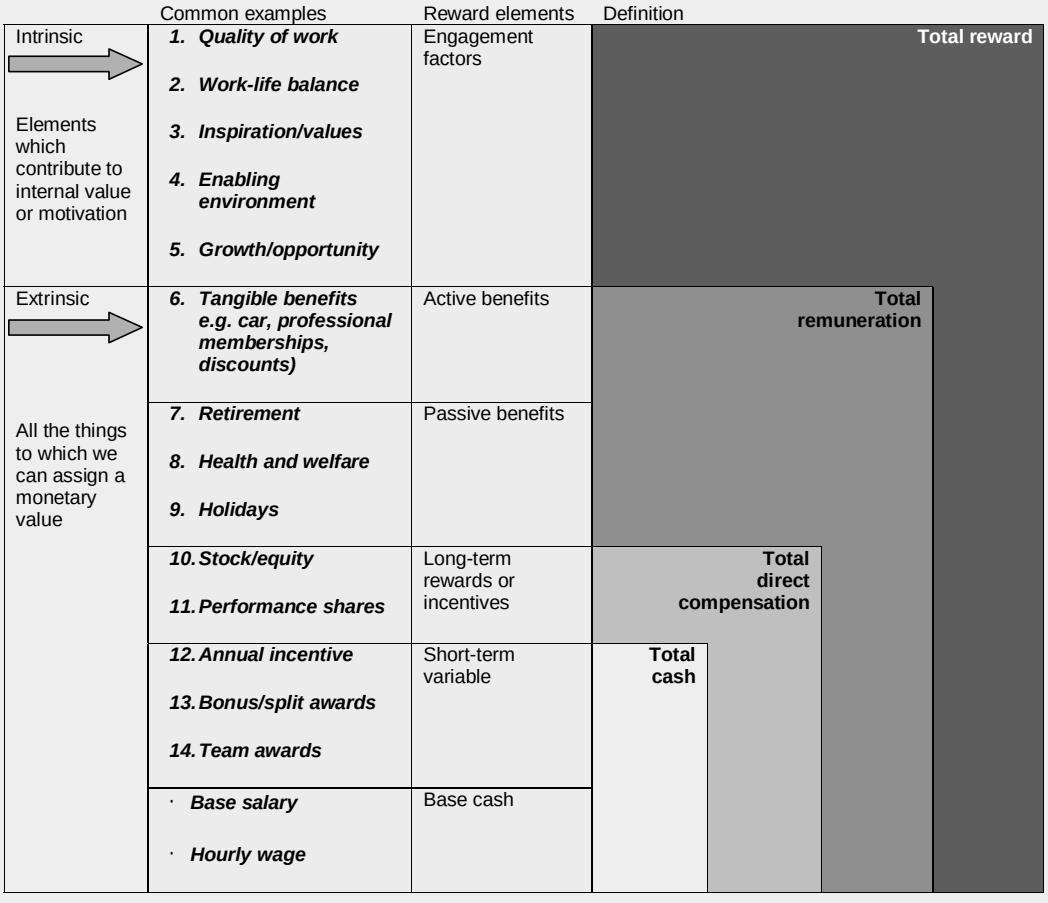
The HRM reforms are an attempt to bring about a sea of change in the management of a career system that, over time, has lost its capacities for flexibility and mobility.

Essentially, the French career system recruits entry-level staff by competition, allows for competitive promotion, separates grade and job, and guarantees lifelong employment. In theory, it should make for high staff mobility and ensure fairness upon entry, stability and continuity in the service, and a high level of ethics in government. Yet this system has intrinsic costs, in that it is more difficult to induce employees to change and more difficult to make changes in the allocation of human resources.

To these intrinsic difficulties must be added the consequences of a system that has never been reviewed from scratch, characterised by a multiplication of "corps", of regimes and of bonuses, and by an entrenchment of identities around these two sub-groups of the civil service (with employees identifying with their "corps", their "ministry" and even their "directorate"). The *White Paper on the Future of the Civil Service*, which follows a number of reports that contained similar findings, takes stock of the situation and makes proposals that seem compatible with HRM progress in OECD countries. Among other things, it recalls the multiplication of corps and employment

statutes and the impossibility of differentiating careers and rewarding merit. These corps no longer represent professions or occupations: they have created what is sometimes a corporatist identity, they frustrate mobility, and they are a factor for steadily rising payroll costs.

Box 5.4 **Total rewards in the United Kingdom**



Source: McDonald, Paula (2009), presentation given at 5th Regional Meeting of the Working Group on Civil Service and Integrity, OECD-MENA Initiative, 16 June 2009, Rabat, Morocco.

All the most advanced OECD countries have over the last 50 years promoted greater flexibility in their civil service (in order to respond to their societies' faster changing needs), adaptation to the possibilities offered by new technologies, and personnel management more closely geared to merit and performance throughout working life. To this end, there is a general tendency to delegate HRM to directors of administration, to bring civil servants' status more closely in line with the private sector or to reduce the number of employees under public law, and to place more importance on employees' performance appraisals in career and pay considerations. The French "corps" system was unique and with its directorate-focused culture had become rigid. Not only are "career" systems becoming rarer in OECD countries or embracing a smaller portion of public employees, but within their career systems there is no equivalent of the "corps". It was

urgent, then, to modernise the civil service and to move toward a civil service of professions or occupations, and allow the introduction of other HRM reforms.

The choice of maintaining the status of civil servants

As the *White Paper* points out, it does not seem impossible and indeed quite desirable to maintain the status of the majority of civil servants, while making the civil service more flexible and responsive. As in some other OECD countries, public employees are for the most part governed by a particular status under public law, which specifies their rights and duties, although there is an apparent trend toward less reliance on such legal status. There is nothing in international experience to indicate that a move to private law is systematically desirable. The place of the French civil service in the country's social integration is unique among OECD countries, and reforms that might undermine the reputation for equal treatment of civil servants could be risky. Finally, it is clear that, apart from the impossibility of dismissing civil servants in case of restructuring or a change in state mission (which is an important difference but which must be weighed against the advantages of maintaining the status), the civil servant status does not, in theory, impose any fundamental constraints on human resource management in comparison to private law. It is HRM practice, rather than the status itself, that hobbles flexibility.

Merging corps and promoting mobility

The current government has chosen to modernise without any fundamental change of status. A new programme for merging corps has been implemented, reducing the number of corps from 700 in 2008 (1 500 in 1990) to 380 today, with the goal of bringing it to 230 by 2015. This fundamental reform should begin to de-compartmentalise the civil service, although much remains to be done to put it on an occupational or professional basis. The merger of corps is a big task that entails significant costs, as mergers always align pay conditions at the highest level. Yet it is essential for continued modernisation of human resource management, for allowing a degree of flexibility in the civil service, and for retaining the status of civil servants.

The other reform accompanying the RGPP measures was the Law on Mobility of 6 August 2009, which removed legal obstacles to secondment and integration into corps and job frameworks of the same category and the same level. It also instituted the right to integration after five years of secondment to another corps or framework, the possibility of direct integration into another corps or framework, and recognition of advantages acquired during a secondment. Lastly, this law offers new guarantees for employees assigned to a unit that is being reorganised, in support of the RGPP restructuring reforms.

This stress on mobility gives the French career system the means to function better. Continued efforts in this direction could bring the system closer to the degree of responsiveness and flexibility found in OECD civil services. An employee should be able to be much more mobile, and the pool of employees from which a position can be filled should be expanded, thus promoting a better allocation of positions and personnel. Today, although geographic mobility is fairly high in the central civil service (around 5%) and category mobility (among the three broad levels of the civil service, C, B or A)[16] is also high, mobility between ministries is very low, at 0.3% in 2007-2008.[17]

Mobility is also favoured by a new online tool introduced in France in 2008, the *Bourse inter-ministérielle des emplois publics* ("Inter-ministerial Jobs Platform") which offers vacant positions for government units, with a counterpart at the regional level.

Many OECD countries have had similar services for many years and they encourage not only mobility but also transparency in careers and transfers.

Lastly, the efforts made since 2006 to introduce an "inter-ministerial catalogue of occupations" (*Répertoire inter-ministériel des métiers*) is part of this new approach for improving mobility in the central government and encouraging a common human resources language among the different spheres of government.

Taking better account of performance

The RGPP also instituted significant reforms for measuring individual outcomes and gearing pay to performance. Although France was relatively late in debating the measurement and recognition of individual outcomes, it is quickly catching up with other advanced OECD countries in this regard while drawing lessons from different experiments (see Annex R for data on performance-related pay in OECD countries, and Box 5.5 for a summary of experience). In fact, the question of individual performance measurement and recognition is a complex one and can have particularly adverse effects on government entities if poorly handled.

In 2007, the law modernising the civil service authorised ministries to institute employee interviews with superiors giving rise to an appraisal report that could lead to a reduction or an increase in seniority for acceding to a higher level. Such interviews exist today in the great majority of OECD countries, and they have been used for many years in the Nordic countries of Europe and in English-speaking countries. The appraisal report is also taken into account in establishing grade promotion tables. This system replaces the conventional rating system, which did not really recognise performance. The experiment, conducted in 13 ministries, seems to have been largely positive, allowing for dialogue and more personalised and regular monitoring of employees' careers (Ministry of the Budget, Public Accounts, the Civil Service and Reform of the State, 2010a). It was consequently extended, and the 2009 law puts the system on a permanent footing and generalises it to the entire civil service.

At the same time, following negotiations with the unions in 2008, the government decided to systematise performance-related pay in the civil service, in the form of a "function and outcomes bonus" (*Prime de fonction et de résultats*, PFR), to be applied to administrative staff and to senior positions as a priority. This bonus consists of two parts, one that takes account of responsibilities, level of expertise and special demands related to the employee's functions, while the other is based on the results of the individual appraisal procedure and the manner of performance. This bonus will apply to 115 000 employees in 2012, and to an estimated 175 000 in 2013.

Lastly, the law calls for introduction of a "collective incentive", an approach that is still rare in OECD countries (Box 5.5) but that could yield interesting results in the future.

This trend toward individual performance management is significant not only for the management of individual outcomes but also because it gives ministries and their managers more leeway in terms of human resources, a change in line with practice in advanced OECD countries (see the following section).

Box 5.5. **The experience of performance-related pay in OECD countries**

Forty years ago, nearly all public servants in the central governments of OECD member countries were paid according to salary scales based on length of service. Today, significant numbers of public servants in most OECD member countries are covered by performance-related pay (PRP) schemes of one kind or another. These used to be used mostly for senior managers, but this has changed and they are increasingly also for non-managerial employees. The reasons for introducing them vary across administrations and are typically complex, but they generally focus on improving individual motivation and accountability of public servants as a way of improving organisational performance.

This does not necessarily mean that the pay of public servants differs on the basis of performance in most OECD member countries. It does mean that the notion of performance has been introduced and allows for singling out excellent or poor performers in terms of their pay. In fact, however, very few OECD member countries have extensive formalised PRP schemes, and PRP is sometimes more rhetoric than reality, with performance rewards distributed to all.

A wide variety of arrangements

There is a spectrum of arrangements in OECD member countries for linking remuneration to performance assessment. Some countries have introduced the possibility of performance bonuses (rather than performance increments). In many OECD member countries, the salaries of public servants now consist of three components: a base pay, a supplement related to the nature or duties of the position, and one or more PRP elements. The two types of variable pay components should not be confused. The first relies on an *ex ante* evaluation of the responsibilities and requirements associated with the position, while the other relies on an *ex post* evaluation of individual performance. Other countries have made salary progression on fixed salary scales dependent on favourable performance assessments. A few have introduced individualised salaries, with performance just one of several factors influencing salary revisions.

Aside from a few exceptions, the size of performance payments is generally a fairly modest percentage of the base salary, in general less than 10%, especially among non-managerial staff. At managerial level, performance payments are generally around 20% of the base salary.

Recently, a few countries have started to establish collective or group performance schemes, at the team/unit or organisational level, like Denmark or Finland. This is an interesting development, especially for career-based systems in which individual performance management has proven more difficult.

The emerging results

A number of studies have failed to demonstrate any significant correlation between individual PRP schemes and the performance of the concerned organisations, although PRP seems to be easier to implement for simple piecework production than for complex tasks. This does not mean that such correlations do not exist, but that performance-related pay alone is not enough. Instead, PRP has to be part of broader performance management systems, with appropriate career opportunities and other forms of recognition. PRP systems also have to be operated by competent managers and based on appropriate and reliable performance indicators or assessments. Performance-related pay is not a stand-alone feature.

Box 5.5. **The experience of performance-related pay in OECD countries** (*cont.*)

A final word of caution is necessary. Differences in remuneration and other rewards for employees with equal tasks and competencies need to be generally recognised as motivated and legitimate, in order not to affect the workplace climate and morale negatively. The performance of any group of employees tends to vary according to the Gaussian normal distribution (also called a bell curve), with the majority clustering around the median and with a smaller number of outliers substantially above and below the median. Introducing evidence-based pay differentials in the large groups clustered around the median typically entails high transaction costs, but there is seldom sufficient added value to outweigh these costs. The use of individualised and differentiated pay should thus not be overdone. There are inherent values in standardised pay, and the ability to differentiate should only be used if and when managers have the required competence and evidence base for differentiation, and when there is a sufficient business case.

Source: OECD (2010), *OECD Reviews of Human Resource Management in Government: Brazil 2010: Federal Government*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264082229-en*.

Modernising recruitment

Another aspect of the RGPP reforms concerns the recruitment of civil servants, with significant reforms for pooling competitions, centralising communication about competitions (with a dedicated Internet site, SCORE), a central competition management process, professional juries, and a start at a thorough overhaul of the competitions. This marks the beginning of a convergence with practice in other OECD countries. While few OECD countries have retained a career system resembling that in France, the competition system is still used in many countries, although with some important differences *vis-à-vis* France:

- Around 400 000 persons register for civil service competitions in France every year, and 250 000 actually sit the 450 exams (in 2008, only 7% of central civil servants were hired without competition). In addition, there are the so-called "in-house" competitions and examinations, where civil servants compete to move from one category to another. These involve 80 000 central civil servants, competing for around 15 500 positions. The cost of these competitions is close to EUR 110 million. There is no international benchmark on this matter, but the process seems to be a cumbersome one that involves a significant portion of the workforce.
- The competitions seem to downplay occupational competencies in favour of academic qualifications, and they generally involve a written test (Silicani, 2008). Competitions of this kind are rare in OECD countries, even for those that have traditionally resorted to mass competitions (other countries, particularly those with a public employment service, traditionally hire by mail, with systematic publication of vacancies).

The RGPP reforms have not questioned the competition principle, but have taken it forward in several important aspects:

- First, the reforms are beginning to pool competitions, moving toward shared competitions among multiple organisations. This is an interesting development that goes in the direction of the very positive reforms, for example, introduced in

Belgium with SELOR (an agency that organises all competitions for the central civil service), or in Ireland, or by the Canadian federal government.

- Next, civil service recruitment has been opened without competition in some cases, such as through the Covenant ("*le Pacte*", an access route to careers in the sub-national civil service, the hospital sector and the central government) which offers up to two years of degree-earning or qualifying training to unskilled young people prior to hiring, followed by a professional entry examination for a position in a Category C corps or job bracket (the least qualified level): 375 candidates were recruited into the central civil service via this route in 2008.
- The competitions have become gradually more professional in their approach, with the introduction of motivation tests, interviews about current work, orientation sessions and collective interviews, personality tests, practical cases, etc. These tests are used in a minority of cases, but they are encouraged. As well, for the first time place has been made for "recognition of experience" since the 2007 law, in the context of "in-house" competitions, allowing a competitive exam to be replaced by new selection methods where candidates can demonstrate their competencies and professional know-how.

These reforms are beginning to fill an important gap that existed between recruitment in France and that in other OECD countries. The professional nature of competitions seems today more suited to the objective of a flexible and responsive civil service.

There is still some ground to make up, however, and the initiatives taken by the RGPP should be pursued further in order to ensure competence-based recruitment.

The issue of the allocation of jobs and promotions within a given corps or employment category has yet to be addressed. There is still no formalised and systematic procedure requiring a minimum of competition and transparency in the award of positions in the course of civil servants' careers, contrary to experience in other advanced OECD countries. The *Bourse inter-ministérielle des emplois* is a first step in this direction, but it is far from being systematised. It will not be sufficient without a systematic and compulsory procedure for having candidates compete (if possible for all civil services, in order to facilitate mobility and talent management) and for bringing transparency to selection (with, as a minimum, pre-selection from a list of candidates by agreement with the human resources directorate, and selection following a panel meeting).

Lastly, there is the question of the intake of competencies in mid-career within the civil service, considered important for ensuring a cultural mix of work in the civil service and for providing directly competent personnel. This type of recruitment has been implemented in other OECD countries (in position-based systems, of course, but the trend in career-based public services is also to ensure mid-career recruitment). There are several ways of securing this mid-career recruitment:

- by gradually changing the nature of competitions to make them more professional, as in Belgium's SELOR;
- by opening some mid-career positions to outside recruitment with a more professional selection procedure (involving interviews and panels, as in Ireland);
- by gradually integrating contractual employees into the civil service (see the following section).

Put the emphasis on managing the senior civil service and the capacity to manage change

The management of senior executives in France is highly specific in comparison with other OECD countries. Managers are often selected very early in their career from among an elite corps, often very few in number, while the link between career advancement and individual performance is not very transparent, and is often closely tied to political functions involving a stint in ministers' offices, which are many and heavily staffed in comparison to other OECD countries. These factors make the French senior civil service one with singular features, marked by a fairly specific culture. This, together with the grouping by narrow but often inter-ministerial corps, no doubt facilitates the flow of information within the senior civil service and keeps the transaction costs of managing it low.

Nevertheless, and in contrast to other advanced OECD countries, there is no proactive management of leadership or any policy for career-long training and selection of competencies in supervising and managing change. Developments during the RGPP have, however, marked the beginning of a reform that will be important for the future of the civil service.

First of all, the highest positions in senior management have been opened to candidates from the private sector under contract. This is a significant development, consistent with experience in other OECD countries, one that brings new insights and refreshes the culture of senior management. Yet the government has not yet instituted transparent procedures for recruitment without competition. Such recruitments should be systematically governed by formal, transparent and open procedures, which could be overseen by the DGAFP.

Management of the senior echelons has also undergone some streamlining, with the deconcentration to the ministerial level of current management tasks concerning civil administrators and the appearance of a new, unique and horizontal employment status to govern all heads of deconcentrated services of the central government, and their deputies. This is a first step towards creating a unified senior civil service corps, an important reform to be pursued in coming years (see below).

Progress in terms of managing senior executives, however, has remained limited. For some years now, this issue has received close attention in all of the more advanced OECD countries in terms of career-long selection and training, measuring performance together with the performance of organisations, and bringing accountability to organisations' management. Much more could be done to improve their selection by strengthening pre-selection at mid-career rather than at the conclusion of university studies, instituting a transparent selection procedure for persons coming from outside the public sector, making competitions more professional, creating a single senior management corps, and introducing formal procedures for systematic and transparent competition for the award of all positions, while making them accountable for their management (specifically through an accountability framework such as in Canada or the United States) (see Boxes 5.6 and 5.7).

Box 5.6. **The people component of the Management Accountability Framework in Canada**

The People Component of Canada's Management Accountability Framework (see more detail in Chapter 2) provides a common structure for assessing human resources management in departments and agencies. It sets out the vision, expectations, key performance indicators and associated measures for sound human resource management. It centres on key workforce, workplace, leadership and HR infrastructure outcomes, and associated measures. The outcomes are:

- a workforce that is talented, professional, representative, engaged and productive, with the required competencies and values to meet current and future needs;
- a workplace that is healthy, safe and fair and enables employees to work effectively in a supportive environment and a culture of excellence;
- strong leadership and management capacity to effectively lead organisations and people in a complex and dynamic environment;
- effective infrastructure, which facilitates effective organisational planning supported by strategic and enabling human resources management and achieves high levels of client satisfaction.

The results of annual assessments on the indicators provide an overview of government-wide strengths and challenges in the area of people management.

<table>
<tr><td colspan="8">Canadians' trust and satisfaction in the public service</td></tr>
<tr><td colspan="3">Canadians' satisfaction with government service delivery</td><td colspan="2">Canadians' confidence in the government</td><td colspan="3">Canadians' confidence in the public service</td></tr>
<tr><td colspan="8">Social and economic well-being of Canadians</td></tr>
<tr><td colspan="3">Economic affairs</td><td colspan="2">Social affairs</td><td colspan="3">International affairs</td></tr>
<tr><td colspan="4">Public policy and service excellence</td><td colspan="4">Sustained, productive public service</td></tr>
<tr><td colspan="2">Quality of public advice</td><td colspan="2">Quality of service and programme delivery</td><td>Attractiveness of public service employment</td><td>Retention of employees</td><td>Health of employees</td><td>Productivity</td></tr>
<tr><td colspan="4">Engaged employees</td><td colspan="4">Culture of excellence</td></tr>
<tr><td>Job satisfaction</td><td>Commitment to the organisation</td><td colspan="2">Satisfaction with the organisation</td><td>Innovative</td><td>Results-oriented</td><td>Public interest-oriented</td><td>People-oriented</td></tr>
<tr><td colspan="4">Workforce</td><td colspan="4">Workplace</td></tr>
<tr><td colspan="2">Talented people attracted and recruited</td><td colspan="2">Well-managed employee potential</td><td colspan="2">Well-managed work</td><td colspan="2">Fair, supportive and ethical environment</td></tr>
<tr><td colspan="2">Right talent in the right place at the right time</td><td colspan="2">Employee development</td><td colspan="2">Meaningful work</td><td colspan="2">Physical conditions and resources</td></tr>
<tr><td colspan="2" rowspan="2">Diversity of characteristics</td><td colspan="2" rowspan="2">Performance management</td><td colspan="2" rowspan="2">Appropriate workload and stress</td><td colspan="2">Appropriate compensation</td></tr>
<tr><td colspan="2">Positive working relationships and communications</td></tr>
<tr><td colspan="2" rowspan="2">Values-based staffing</td><td colspan="2" rowspan="2">Career opportunities</td><td colspan="2" rowspan="2">Empowerment</td><td colspan="2">Ethical environment</td></tr>
<tr><td colspan="2">Trusted, effective recourse</td></tr>
<tr><td colspan="8">Leadership (executive and supervisory)</td></tr>
<tr><td colspan="3">Planning and direction setting</td><td colspan="2">Competence</td><td colspan="3">Values</td></tr>
<tr><td colspan="8">Enabling people management infrastructure</td></tr>
<tr><td colspan="3">People management capacity</td><td colspan="2">High-quality people management advice and support services</td><td colspan="3">Knowledge of the state of the public service</td></tr>
<tr><td colspan="3">Right talent in the right places</td><td colspan="2">Access to people management services</td><td colspan="3">Research</td></tr>
<tr><td colspan="3">Stability</td><td colspan="2">High-quality people management services</td><td colspan="3">Information systems</td></tr>
</table>

Source: Information provided by the Canadian reviewer for the HRM peer review of Brazil, and Treasury Board of Canada Secretariat (2009), "TB Management Accountability Framework", *www.tbs-sct.gc.ca/maf-crg/index-eng.asp*, consulted in December 2009; OECD (2010), *OECD Reviews of Human Resource Management in Government: Brazil 2010: Federal Government*, OECD Publishing, Paris, p. 267, *http://dx.doi.org/10.1787/9789264082229-en*.

Box 5.7. **The US strategic alignment system: human resources as strategic partner**

Definition

A system led by senior management, typically the chief human capital officer (CHCO), that promotes alignment of human capital management strategies with agency mission, goals, and objectives through analysis, planning, investment, measurement, and management of human capital programmes.

Standard

Agency human capital management strategies are aligned with missions, goals, and organisational objectives and integrated into its strategic plans, performance plans and budgets.

Critical success factors

Each system is based on critical success factors that make up the overall system. Critical success factors are the areas on which agencies and human capital practitioners should focus to achieve a system's standard for success and operate efficiently, effectively, and in compliance with merit system principles. The Strategic Alignment System is comprised of the following critical success factors:

- human capital planning;
- workforce planning;
- human capital best practices and knowledge sharing;
- human resources as strategic partner.

Each critical success factor has several key elements that indicate effectiveness and are linked to suggested indicators that identify how well the agency is doing relative to key elements.

Strategic alignment metrics

Activities and outcomes of this system are assessed through documented evidence of a strategic human capital plan that includes human capital goals, objectives, and strategies; a workforce plan; and performance measures and milestones.

Agencies are required to submit the strategic human capital plan described by this system to OPM on an annual basis.

Source: US Office of Personnel Management, *www.opm.gov*, consulted in September 2009.

Finally, while the RGPP has not concerned itself with delegating the most important managerial functions to ministry executives, or making them individually more accountable for their management, it has made a start at training executives in charge of the reform, supplementing other measures that have been progressively introduced.

The RGPP has attempted to give better support to the agents of reform, and at the same time some steps have been taken to improve ministries' capacities for human resource management. Since the LOLF, a number of initiatives have been taken to help ministries move toward more dynamic management of human resources. Forward-planning for positions and competencies, in place since the late 1990s, received a boost following the LOLF, with publication of a methodological guide, and "HR transformation" projects have been pursued as part of the RGPP. This has helped identify HR flexibility within and between ministries. The "HRM School" (*École de*

la GRH) was created in 2007 and is based on an operating network covering all ministries with a view to providing professional training for employees who work or wish to work in the HR sector. It organises professional meetings and the pooling of resources, the certification of training courses, and the construction of training benchmarks.

Lastly, in 2010 it was noted that the RGPP should provide greater support to the managers of reform and change, and to some extent should seek to make that function more professional. The State Modernisation School (*École de modernisation de l'État*) was created in 2010 to offer a training programme on the fundamentals of conducting transformation (project management, performance management, handling of restructuring) for all project leaders. This training device was extended the following year to central government managers dealing with transformation projects. Just over a year after its creation, the EME had accepted nearly 1 000 "auditioners".

Management of contract employees

Although they are not a direct part of the RGPP reforms, the reforms concerning contractual employment are interesting in light of the other reforms described above, and experience in OECD countries. In public employment in general (covering all levels of government including the local authorities), the proportion of contract employees was 14% in 2008, and having risen by 2.8% a year since 1998 (whereas total public employment increased by 1.3% per year). In the central government, the share of non-statutory (*non-titulaires*) employees is 6.6% in the ministries and 68.8% in "state operators" (EPA and EPIC combined), and it increased by 1.8 percentage points between 1998 and 2008 as a share of central government employment, with a sharp jump between 2007 and 2008. Of these employees, 41% are in very specific categories such as education assistants and temporary teachers and researchers (up by 100 000), local recruits and security assistants. The remainder offer particular technical skills or occupy a vacant position, whether for reasons of urgency, recruitment difficulties, specialised or technical competencies, or occasional or seasonal needs (there were 149 000 persons in this last category in 2008).[18] In total, a fairly large proportion of public employees are covered by employment rules different from the general civil service rules. Yet this high proportion seems to meet an important need for flexibility, in light of the rather rigid general employment status that covers all civil servants (themselves very numerous).

This cohort of public employees used to be little regulated and was employed under relatively precarious conditions. Since 2011, following an agreement with the unions, it has become easier to offer contractual employees permanent status through competitions and professional examinations. There are also new arrangements in place for moving to an open-ended contract for all agents with more than six years of contract work over a period of eight years, for softening the rules for contracting temporary employees, and for improving the individual rights of employees (who will now be eligible for performance pay, better unemployment coverage, and stricter layoff conditions). This development is consistent with trends in the more advanced OECD countries. The question of recruitment modalities and in particular the transparency of recruitment procedures could be covered by a methodological guide and supervised by the DGAFP.

5.3. Summary of recommendations

In recent years there has been a sea change in human resource management in the central government which, apart from decentralisation and deconcentration, had for many years seen only relatively minor adjustments, although it had been at the centre of reforms in many of the more advanced OECD countries. This turnaround should be confirmed by pursuing the reforms, launching new ones, and reviewing approaches for containing or reducing the payroll.

Differentiate staffing cuts through a strategic approach to HR needs

Maintain strategic pressure on staffing levels

Staffing cuts have been central to the RGPP process, in terms of both its rationale and its implementation. The announced reductions have been achieved. The reduction rate has approximated the automatic productivity gains in sectors where those gains are close to those in the rest of the economy. The cuts have been carried out in accordance with best practices, by being accompanied by HRM changes with respect to mobility prospects and in terms of organisational changes which, in addition to promoting quality, were intended to yield long-term productivity gains along with the non-replacement of one retiring civil servant in two.

It is important that pressure on staffing levels continue in a sustainable way over the long term. Governance mechanisms allowing this constant pressure should be instituted systematically. Automatic productivity cuts (see Chapter 2) could be introduced in some sectors. Staffing targets and methods to maintain pressure on staffing could be the object of performance indicators within a management accountability framework (see Chapter 2).

Back workforce reductions with clearer criteria

In order to preserve capacities in key sectors, however, a recommendation for the future is to back workforce reductions with general criteria that will provide better guidance to managers:

- As called for in the 2011-2013 RGPP II, the emphasis should be placed on back-office functions, particularly those where productivity gains are expected from the planned reforms, for example support functions. These functions account for relatively few employees, however, and the reduction that can be expected in the number of public employees engaged in these functions is therefore limited.
- For the front-office functions, a detailed sectoral analysis should be able to differentiate those where the number of employees dealing directly with the public is crucial to maintaining the quality of service and those where productivity gains can be achieved.
- More generally, it would be useful in the future to institute systematic "automatic productivity cuts" to reduce staffing in functions where productivity gains are on a par with those in the economy.
- Staffing reductions can also be expected in sectors that could be the subject of mission scale-backs or reorganisations, especially where there is overlapping of responsibilities between central and local government (in favour of the latter) or

where there is an adequate supply in the private sector (in favour of the private sector, with closer cost monitoring).

Over the long term, reforms to streamline the administration, to empower senior executives in the management of human resources, and to place continuing pressure on costs, should gradually allow for finer tuning staffing needs occasioned by public service missions. Once these reforms are in place, one indicator of their success will be that government no longer needs to resort to major on and off staff cuts in order to adjust employment numbers to needs.

Ensure long-term monitoring of all operating costs

Lastly, forward planning of staffing and competency requirements (*Gestion prévisionnelle des emplois, des effectifs et des compétences* – GPEEC) could be strengthened at the ministerial level by a systematic evaluation of all the costs of producing public services, taking into account the goods and services delivered by the public workforce and those delivered by the private sector but paid for by government. As well, systematic consideration should be given in the GPEEC context to the conditions and costs of outsourcing services.

Develop a systematic methodology for determining salary increases and bonuses

Review the manner and amount of the "retour aux agents"

The economic and fiscal situation in 2012 is very different from that in 2007, when the RGPP and its principles were conceived. Given the current budgetary situation and the experience with reforms in other OECD countries, the "*retour aux agents*" (i.e. the "return to employees" of 50% of the "1 in 2" savings) and other recent pay increases seem out of line in light of the effort made (total staffing reductions are limited). Moreover, while the principle of offering financial incentives for reforms is an interesting one, it is important not to raise expectations of increases whenever reforms are undertaken in the future. As started to be done with the RGPP, the "category-based return" should be used to achieve strategic catch-up for certain occupations. Lastly, it seems essential today that the category-based return should not be an obstacle to a net reduction in the payroll.[19]

Reform pay management to make it a strategic HR tool

More generally, pay and bonuses are today determined in isolation, with groups competing against each other in catch-up negotiations, an approach that favours a continued increase without any logical link to workforce needs or to the importance or difficulty of the task. The system combines the disadvantages of a centralised system that offers little chance for flexibility and differentiation among individuals and those of a delegated but ill-functioning system with multiple and non-transparent variations.

Pay determination should be reviewed and a new methodology introduced that will take account of the total of career-long compensation, with private sector comparison for each occupation. The DGAFP would be charged with developing this methodology and detailing all the components of pay for each sub-group.

A two-stage salary negotiation, starting at the centralised level and then at the ministry level, could be introduced if a strict negotiating framework were established. The DGAFP would also be charged with organising this social dialogue by ministry and

establishing the negotiation rules, which would take into account the total budget envelope, government priorities (identifying priority sectors and those that need more staff), the link to individual and collective performance, and changes in qualification levels. Lastly, the DGAFP would establish the methodology for comparing pay levels by sub-group (in particular with the private sector, based on the concept of total compensation).

In times of economic growth, with a pay system that is balanced, fair and transparent across sub-groups of employees, a generalised salary increase could, in fact, be justified.

Continue the measured approach to performance pay

When it comes to performance-related pay, trends in France are consistent with the lessons drawn from countries that implemented such a scheme in the 1990s and even earlier. France has implemented it in stages, without making it the centrepiece of HRM modernisation. This measured approach is wise, recognising that individual performance pay is but a complementary aspect of a good policy for taking performance into account in HRM.

Lastly, a number of countries have recently eliminated automatic promotions for seniority in employment or in grade. This is an interesting option that France should examine for the future.

Continue to make the civil service more agile

Continue to empower ministries and management, while reinforcing the inter-ministerial approach to human resources

The challenge for France today is to strengthen the inter-ministerial management of human resources, while delegating more responsibility to ministries and to the deconcentrated structures, assuring better sector adaptation of the workforce and achieving greater managerial flexibility in the spirit of the LOLF.

Within the framework of greater managerial delegation, it is essential for the DGAFP to continue to develop its function of guidance and control, especially through work on methodologies common to the entire civil service, on indicators, and on the HR aspect of management accountability. It is through such a framework that government action can be made more coherent while at the same time holding the different players accountable. HR performance criteria can be used to monitor the performance of ministries and deconcentrated services. The DGAFP should therefore modernise its human resource oversight function, while developing the HR pooling function.

Continue to merge corps for an occupation-based approach to the civil service

There is no doubt about the need to continue merging the corps. The existence of these still-numerous corps in the central civil service is unique to France and is costly in terms of mobility, merit- and performance-based career management, and pay management. Management approaches in other countries show that these corps are not necessary. The *White Paper* calls for moving to an occupation-based civil service, something that would seem essential for modern human resource management.

In light of current economic conditions, the pay catch-up induced by the merger of the corps could be spread out over time.

A more transparent and dynamic approach to promotions and career management

Promotion between employment categories through competition, as practised today, is a mechanism ill-suited to current concerns, based as it often is on academic criteria and taking inadequate account of organisations' knowledge of their employees. When it comes to promotion within grade, there is no formal, systematic methodology to take account of performance and service needs. The decision is often based on seniority, but there is no procedure in place that guarantees against favouritism. Generally speaking, these internal promotion mechanisms are relatively unique to France and, while there have been some interesting developments, profound changes are needed to take advantage of organisations' knowledge of individuals' performance. Procedures should be formally and systematically introduced to guarantee the evaluation of competencies while avoiding favouritism: these could include panels, use of outside consultants, and the publication of vacancies with clearly defined criteria. Promotions should be fairly "obvious" when they occur, and this demands some transparent work on performance management.

More generally, employee careers and the allocation of positions should be managed in a more dynamic and transparent way. The publication of vacancies through the inter-ministerial platform is a move in the right direction. It is also important that positions should not be reserved to a specific corps. Systematic use of hiring panels would be another good way to improve transparency.

Continue the competition reform and develop procedures for entry into the civil service at mid-career and mid-grade

Modernising the management of the civil service will also require further efforts to pool and professionalise competitions. A move away from what are essentially academic competitions seems important for ensuring the professional competence of future recruits. In fact, equality at entry should no longer be the only criterion governing procedures for entry into the civil service. France is moreover the only country to have retained this type of competition for its entire civil service, yet there is no reason why other recruitment procedures that allow competencies to be evaluated should not be introduced. These could guarantee equality and transparency in recruitment but also the selection of professional competencies.

This change will also require a thorough rethinking of the principle of entry into a corps at bottom of grade, so as to open up recruitment into the civil service for experienced persons in mid-career.

These reforms for diversifying entry procedures into the civil service will have to be introduced gradually. Some steps have already been taken in this direction through the reforms to contract employment, but others will be needed.

Continue the reform of the management of contractual staff

The reform of the management of contractual staff addresses the relatively precarious situation in which 14.4% of public employees were working in 2008. Such a reform should be supplemented by moves to make the recruitment of contractual employees more transparent and the introduction of recruitment procedures that guarantee transparency and a degree of equality among candidates. Here again, the Belgian experience could be interesting for France.

Review the approach to the management of senior civil servants

The approach to management of senior executives is another French exception which it would seem essential to modernise for the sustainability of the central government reform process. The system is not suited to the challenges of building a senior civil service managed on the basis of competency and performance, nor does it meet the transparency requirements for managing individuals and careers. In this respect, France lags behind other OECD countries.

The first important reform concerns the merger of the various corps, as at the deconcentrated level or, if resistance makes that impossible, reducing the importance of the corps in the management of the senior civil service. It seems important that the senior civil service should be managed as a single group (including deconcentrated positions), and that positions should be open to all employees capable of fulfilling them. A division into two groups could be considered: general senior management and top executive jobs for staff at the highest hierarchical levels (directors-general and assistant directors-general), with transparency and publicity for positions as they come open, a common recruitment procedure for those positions in the course of careers, and transparent competition among candidates for these positions.

Secondly, management of individual executives' performance should be made a significant reality in organisational management, by introducing accountability contracts for managers. The capacity to manage and to implement reforms should be the centrepiece in the evaluation of senior executive performance.

Lastly, efforts at continuous training and leadership development for senior management should be reinforced. This would at the same time strengthen a common culture that could be undermined by the reforms introducing openness and competition. Here again, there is much experience in OECD countries that France could usefully consider.

Insist on the need to reduce staffing at the local level

The issue of the level of public employment in general begs the question of staffing increases in local governments. There is a link between the organisational *millefeuille* (in particular between the communes, the inter-communal structures and the *départements*) and increased staffing numbers (see Chapters 1 and 2). On the other hand, mechanisms to encourage staff cuts need to be considered, even if the current context of crisis can be expected to produce staffing reductions through the decline in local authorities' resources, as in other OECD countries. Be that as it may, it seems urgent to undertake a national debate on this issue so that cutbacks in local government resources are not merely offset by a reduction in transfers and the provision of public services but will also yield some significant efficiency gains in local government.

Notes

1. And public enterprises.
2. These costs comprise essentially the compensation costs of government employees, and the cost of goods and services consumed by government or delivered to citizens/users, produced by the private sector (or public enterprises) and financed by government.
3. And public enterprises.
4. The perimeter is different from the one previously cited for public employment. In particular, it does not include employees who are not part of the civil service (see Box 5.1).
5. In FTE (full-time equivalent).
6. See Court of Accounts (2009).
7. Nevertheless, state operators have seen a significant increase in their staffing levels, amounting to 48 000 employees between 2006 and 2009, 22 000 since 2007, and 14 000 since 2008, i.e. since the beginning of RGPP implementation (although these figures are subject to caution because of statistical problems) (Court of Accounts, 2009). These figures are not at constant perimeter and they include the shift of jobs from central government to the now-autonomous universities.
8. In the United Kingdom, the "civil service" is defined as the core of central government machinery that implements government policy. There are today 489 000 officers and 453 000 FTE in the civil service. Most work in the ministries and the executive agencies. Most employees of the "quangos", the army, the national health service, the local authorities and public enterprises are not civil servants.
9. For a general analysis see OECD (2011b), Chapter 2.
10. Information derived from interviews at DGAFP.
11. Figures provided by the Budget Directorate.
12. Sub-national governments are required to finance all their operating costs from their own revenues. They may borrow only to finance investments but not for operating costs or loan maturities. Repayment of loan principal instalments must be financed from operating budget surpluses and investment funds.
13. Although there are no data available, it is likely that departures are less important than for the central civil service, but still higher than in the past.
14. Estimated at EUR 430 million, without annual performance reports (or half the savings assumed to have resulted from the "1 in 2" rule). In reality, it turned out to be around EUR 700 million. (Court of Accounts, 2010).
15. The Law of 2007 on Labour, Employment and Purchasing Power (TEPA) provides that compensation for hours worked beyond the legal workweek of 35 hours is

exempt from income tax and authorises lower social security contributions on these supplementary hours.

16. Category A civil servants are those performing functions corresponding to policy making, supervision and management; those in Category B have functions corresponding to policy application and drafting; and those of Category C have functions corresponding to execution (a higher education degree is not an entry requirement).

17. Figures obtained during interviews with DGAFP.

18. Figures taken from Ministry of the Budget, Public Accounts, the Civil Service and Reform of the State (2010a).

19. Excluding independent factors of growth in personnel costs such as ageing or the effects of the employment structure.

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Glossary

Administrative employment (*emploi administratif*). These are jobs that are not directly involved in the delivery of services to citizens and users. Staff positions do not include the military, police, penitentiary personnel, other public services (for example units responsible for construction or management of transport infrastructure), education institutions, health care providers or other institutions engaged in the delivery of individual services (cultural and social services, etc.), whether these are public or private non-profit institutions or normal government units.

Agencies (*agences*). This term sparks confusion in international terminology. It includes certain institutions that operate "at arm's-length" from central ministries, with a degree of managerial autonomy or separate budgets, and without a hierarchical relationship. With some exceptions, they do not have their own legal personality and they act in the name of the central government (or of local governments). There are two broad categories of agencies: *i)* the so-called "executive" agencies have a form of managerial independence, and generally operate at arm's-length from the central ministries, an arrangement that makes it easier to identify the costs of producing a particular service or product and to adapt and respond to changes in markets and user demands, while leaving the ministries with hierarchical power; *ii)* the so-called "independent" agencies operate at arm's-length from the central ministries, which enhances their credibility and legitimacy – they are generally engaged in fields that are considered sensitive or that are subject to significant economic and legal shifts, such as deregulation and opening to competition, or statistical analysis, electoral commissions, etc.

Automatic productivity cut. Budget cut the level of which is based on presumed productivity gains from the past year or the coming year. Since the 1980s and 1990s, a number of countries have introduced these "automatic productivity cuts", the idea being to make up for the lack of incentives for productivity gains of the kind that exist in competitive goods markets. They are generally applied to operating expenses (including personnel costs), but their application varies greatly in terms of sectors and functions.

Back office. The internal function of an organisation that supports it in its mission and is not accessible or visible to the general public. The functions of the back office include the support functions (see below) as well as, for example, policy formulation or supervision. Back-office positions are "administrative employment" (*emplois adminisratifs*, see administrative employment).

Budget Framework Law (*Loi organique relative aux lois de finances*, LOLF). This law replaces the old input-based budgeting system by one based on results, by setting precise objectives for public policies (which now structure the budget) and measuring outcomes against performance indicators.

Category-based return (*retour catégoriel*). This term was used in the design and implementation of the RGPP. It refers to the decision to return to civil servants 50% of the savings achieved through the non-replacement of one retiring civil servant in two.

This "return" is category-specific (i.e. not generalised) and may involve indexing, pay or statutory changes.

Civil service/servant (*fonction publique/fonctionnaire*). The civil service (*fonction publique*) covers all civil servants (*fonctionnaires*), i.e. slightly over 5 million employees in the whole of government, whose employment is governed by a statute. The general statute of the civil service governs all three civil services: the central government civil service, the local civil service (sub-national governments), and the hospital service.

Commune (*commune*). The smallest administrative subdivision in France, corresponding generally to the territory of a city, part of a city, a town, a village, or a group of villages. There are currently 36 682 communes in metropolitan France. See also "sub-national government".

Contract employees (*contractuels*). These are government employees not hired under public service statute and therefore do not have the status of civil servants, although they may be employed under public law contracts. Most contracts are for a defined duration.

Corps (*corps*). Civil servants of the central government or the public hospital administration covered by the same specific status and working at the same grades are grouped together in corps. These corps are themselves divided into grades or classes.

Decentralisation (*décentralisation*). Transfer of powers from central government to the sub-national governments.

Deconcentrated administrations (*administrations déconcentrées*). Local administrations of the central government that have delegated powers but no legal autonomy *vis-à-vis* the central government.

Deconcentration (*déconcentration*). As with decentralisation, this generally involves a delegation of responsibilities, but in this case to local employees or agencies of the central government which, in contrast to the sub-national authorities, are subject to the authority of the central government and do not have any autonomy.

Department (*département*). Administrative division of France forming the second level of territorial division after the administrative regions, which are groupings of departments. A *département* also constitutes a sub-national local government entity. France currently has 101 departments, of which 96 are in metropolitan France (the "Hexagon" or France-in-Europe) and five are overseas.

E-government (*administration électronique*). Use of information and communication technologies (ICT), and the Internet in particular, with a view to improving the functioning of government and the delivery of services.

***Fonction publique de métier*. (Civil service organised by occupation or profession).** This term is used in the *White Paper on the Future of the Civil Service* (2008) and seeks to differentiate the occupation-based civil service from the present career-based civil service, which favours grade over post, and also from the "post-based" public service, which favours post over grade. In an occupation-based civil service, the occupation or profession forms the nexus between a professional qualification, which is the criterion for recruitment, and the position, i.e. the job that the employee will hold after recruitment. The occupation is a kind of broad family of positions within which public employees make their career.

Front-line services. Services in interaction with the citizenry, associations and businesses.

General Council (*Conseil général*). The deliberative assembly of a *département* with representatives (general councillors) elected by universal suffrage. The main powers of the General Council include social assistance at the local level as well as health services, education and management of *collèges* (junior secondary schools), roads, financing of fire brigades, local development, and culture.

General government (*administrations publiques*). The definition of general government is the same as that used in the System of National Accounts (S.13). It includes all institutional units which are other non-market producers (see paragraph 3.26) whose output is intended for individual and collective consumption, and mainly financed by compulsory payments made by units belonging to other sectors, and/or all institutional units principally engaged in the redistribution of national income and wealth. It embraces: *i)* central government (S.1311); *ii)* the governments of state (in federal countries)-level units (S.1312); *iii)* local government (S.1313); and *iv)* social security funds (S.1314).

General secretary (*secrétaire general*). The general secretary of a ministry has cross-cutting responsibility for support functions (human resources, finance, communication, SI, logistics, properties, etc.). He or she promotes and monitors modernisation efforts within the ministry, in particular those relating to the RGPP. He or she may also assist the minister in carrying out defence and security responsibilities.

Information and communication technologies (ICT). Any piece of equipment or any interconnection system or sub-system that includes technologies for creating, storing, handling, managing, moving, publishing, exchanging, transmitting or receiving information in its various forms. These forms may include business data, voice conversations, fixed images, films, multimedia presentations and other forms not yet conceived. Communication refers to a system of symbols and shared meanings that links individuals into a group, community or culture.

Internal audit (*audit interne*). Intended to avoid the financial risks run by a ministry or a public organisation that fails to observe regulations or that is ineffective in implementing policies. The internal audit makes use of financial audits, to verify the accuracy of accounts, respect for regulations, and the soundness of administrative procedures, and performance audits to verify the effectiveness and efficiency of policies.

"Lean management". A participatory method designed to eliminate quality failings in organisations and make processes more efficient.

Mission. In the budgetary procedure, defined in article 7 of the LOLF, "all programmes related to a defined public policy" that are assigned to one or more units and one or more ministries.

"New Public Management". A government reform movement that began in English-speaking countries in the 1990s and has spread to a number of OECD countries. It comprises essentially: *i)* organisational separation of policy execution from policy development; *ii)* giving managers more autonomy together with greater accountability; *iii)* guiding public policies on the basis of their performance; *iv)* outsourcing more services to the private sector.

One-stop shop. A platform that centralises access to formalities and/or receives and centralises all information for a specific set of formalities and allows them all to be conducted at the same place in order to simplify the process for citizens, businesses, and other entities of civil society. It can take different forms – physical offices, telephone services, and websites.

Operating expenses (*dépenses de fonctionnement*). These are expenses linked to the operations of government. They relate essentially to personnel expenses (payroll) and intermediate consumption (government purchases and procurement).

Operational means management. This covers all the means used for government functioning, including human resources and budget as well as properties, purchases, logistics and ICT.

Optimisation. An initiative that seeks to provide the best service at the least cost.

Payroll/wage bill. All the costs related to the remuneration of employees, including the various bonuses and social contributions.

Pooling/sharing (*mutualisation*). There is often talk of pooling support functions (units and tools) either within a ministry or among a set of ministries or other public organisations.

***Préfecture*.** The *préfecture* represents the central government at the local level, i.e. the region (*préfecture de région*), the *département* (*préfecture de département*) and the *arrondissement* (*sous-préfecture*).

Product. In assessing performance, products are defined as goods or service produced by government agencies (for example hours of teaching, social benefits calculated and paid).

Programme. In the budgetary procedure, defined in Article 7 of the LOLF, "a programme covers appropriations for implementing an action or a coherent set of actions that are the responsibility of the same ministry and that are associated with precise objectives defined in terms of the public interest, as well as the expected outcomes, and that are the object of an evaluation."

Programme expenses (*dépenses d'intervention*). These include all expenditures that are designed to have a direct impact on society and the economy, for example social spending and economic support. They consist essentially of subsidies, social benefits (including social transfers), capital transfers, other transfers, and the portion of investment that is not used for the production of goods and services (primarily infrastructure investments).

Public employees (*agents publics*). All persons who are paid individually in their own name and directly by governments. In France, the great majority of public employees are civil servants (*fonctionnaires*, see definition below). The rest are contract employees under public or private law, depending on the administration.

Public Policy Modernisation Council (*Conseil de modernisation des politiques publiques* – CMPP). Reporting to the President of the Republic, its purpose is to bring together the whole of government and the permanent members of the monitoring committee in order to validate decisions examined in advance by the monitoring committee, to establish the broad guidelines for the reform, and to define the stages of the reform.

Réforme de l'administration territoriale de l'État (RéATE). Launched in 2007 in the context of the RGPP, it seeks to pursue the deconcentration of government services. It calls for managing public policies at the regional level and implementing these policies at the departmental level.

Region (*région*). Administrative division of France comprising a group of *départements*. France currently has 26 regions, of which 21 are in metropolitan France, 4 are overseas and 1 comprises the island of Corsica. The region also designates the regional government/authorities.

Regional Council (*Conseil regional*). The deliberative assembly of a region, established in 1982 during the decentralisation process. Its representatives, the regional councillors, are elected by universal suffrage. The main powers of the Regional Council include economic action, territorial development, education and management of the *lycées* (senior secondary schools), the environment, and the organisation of regional rail transport.

RGPP Steering Committee (*Comité de pilotage*). Each ministry has a RGPP steering committee, reporting to the general secretary. The committee co-ordinates the carrying out of decisions, oversees a team of project leaders in charge of implementing RGPP decisions, and monitors progress with each measure on the basis of precise indicators.

***Secrétariat général pour les affaires régionales* (SGAR).** The "General Secretary for Regional Affairs" is a senior official within the regional prefecture responsible for co-ordinating the government's economic development and regional planning policy, and serving as liaison between central government and the regional council.

Spending review. A systematic examination of programme spending and operating costs to assess the efficiency and effectiveness of spending, and above all to achieve budgetary savings. Generally speaking, the review is done in a centralised manner under the authority of the Ministry of the Budget or the Prime Minister's Office, and is monitored through the budgetary procedure.

State (*État*). See Methodology.

"State operators" (*opérateurs de l'État*). The notion of "state operator" accompanied the implementation of the LOLF. It is a public non-profit institution that belongs to and is controlled by central government, which has the final say over its operational management and guarantees the associated risks. Operators have a legal personality separate from that of the central government, but their legal status varies greatly.

Sub-national government (*collectivité territoriale*). A distinct government administration that exercises over a territory certain powers which the central government has decentralised. In France there are five types of sub-national government: the region, the *département*, the municipality, the special-status *collectivité* and the overseas *collectivité* (there are also public establishments for inter-communal co-operation). A sub-national government is defined by three criteria: *i)* it is endowed with its own legal personality and administrative autonomy, and therefore has its own personnel and its own budget; *ii)* it has its own powers and responsibilities conferred upon it by legislation; *iii)* it exercises decision-making power through a deliberative council of elected representatives. The decisions are then carried out by the local executives, whose powers

are governed by regulation. There is no hierarchy of authority among the different levels of sub-national government.

Support functions. Functions intended to support government operations, including human resources and administrative organisation, procurement management, finance (budget, accounting, payment), internal audit, communication, ICT, public properties and facilities (computers, vehicles, food services, security, reproduction).

Transfer expenses (*dépenses de transferts*). These represent the bulk of programme spending (which also includes subsidies and a portion of investment). They are unrequited transfers. They may be monetary (or "cash") or in-kind (through provision of a good or service).

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