

# BRIDGING THE SKILLS GAP HOW NEW COMPETENCIES DRIVE INNOVATION

Public sector organizations face dynamic challenges driven by societal shifts and an aging workforce. Responding effectively requires strategic workforce planning to ensure the right competencies for evolving needs. Analysis shows that workforce plans predominantly prioritize traditional roles over emerging professional profiles characterized by new skill sets, such as digital and data management. External stakeholders advocate for strategic hires in the public sector, including data managers, relationship managers, project managers, digital experts, and strategic HR leaders. Bridging the skills gap is imperative for future public sector effectiveness and stakeholder satisfaction.

PUBLIC ADMINISTRATION//WORKFORCE PLANNING//TALENT MANAGEMENT//PUBLIC SECTOR REFORMS//SKILL-MIX OPTIMIZATION

**FRANCESCO VIDÈ**

is Lecturer of Public Management at the Government, Health and Not for Profit (GHNP) Area at SDA Bocconi School of Management in Milan.

**GIORGIO GIACOMELLI**

is Associate Professor of Practice of Public Management at the Government, Health and Not for Profit (GHNP) Area at SDA Bocconi School of Management in Milan.

Public organizations are required to address rapidly changing social demands, voiced by diverse stakeholders with ever-evolving expectations for high-quality services. The effectiveness of the response of these entities hinges on having the right human capital to fulfill their mission and satisfy societal needs. Therefore, government organizations should take strategic decisions concerning the size and competencies of public workforce by proactively anticipating future needs (Huerta Melchor, 2013).

This urgency is heightened by the aging public workforce, coupled with limited opportunities to increase compensation and staffing levels. Approximately 16.5% of the personnel in the Italian

public sector is 60 or older and will reach retirement age within the next five years. This factor becomes even more critical in Italian local governments where one in five employees is over 60 years old, particularly in Southern Italy (Giacomelli and Vidè, 2023). The upcoming retirement of a significant number of public employees represents both a window of opportunity and a critical challenge for public administrations. On the one hand, ensuring the seamless transfer of skills and experience from current employees is imperative for maintaining administrative continuity. On the other hand, there is the potential to innovate professional roles within the public sector, considering the impact of various mega-trends, such as digitalization and public-private partnerships, on the future of public works. To seize this opportunity, public administrations need to develop a forward-looking workforce plan: How many employees will be necessary? And, most importantly, what specific skills and professions will be required? There is no optimal size or composition for the public service workforce, as it varies based on strategic and policy decisions regarding the public organization's role in service delivery. For example, opting to outsource certain services could result in reduced staffing requirements, but with increased skills in regulatory, procurement and project management functions.

Answering these questions means moving workforce planning to a strategic level, marking the first, critical step in the human resource management lifecycle. Public sector organizations should anticipate the future and think strategically about the right mix of people and skills necessary to achieve the mission and address evolving societal needs. The final goal of strategic workforce planning is to have the “right number of people with the right skills in the right place at the right time to deliver short and long-term organizational objectives” (Huerta Melchor, 2013, p.7).

This article aims to reveal the current status of strategic workforce planning in the Italian public sector by examining the maturity of the plans and processes adopted to identify staffing

needs (Section 2), analyzing the skills that public organizations plan to hire in the coming years (Section 3), outlining the professional profiles and competencies that public organizations should recruit (Section 4), and exploring strategies to address the misalignment between existing and desired practices (Section 5).

## CURRENT WORKFORCE PLANNING SYSTEMS

In the Italian public sector, workforce planning is regulated by a national reform introduced in 2017, which requires each public organization to prepare a three-years workforce plan, annually updated. This plan is expected to include an overview of the existing workforce and any necessary adjustments in line with organizational needs and strategic directions. In the plan, public institutions must specify the number of employees needed to meet the organization's operational needs and the strategic goals, considering the projected turnover and public finance constraints. Additionally, this information should be complemented by a definition of qualitative staffing needs, encompassing specific occupations, expertise, and skills essential for effective performance.

Four years later, in 2021, another national reform mandated the incorporation of the Staffing Plan within the Integrated Activity and Organization Plan (PIAO in Italian), which aims to consolidate all strategic planning documents issued by each public institution into a single outlet. This initiative seeks to align human capital decisions with public value objectives and the performance goals of each organizational structure. In essence, decisions regarding the quantification and qualification of employees to hire should be linked to the actions required for the organization to fulfill its mission.

The recent National Collective Labor Agreements (CCNL in Italian) have introduced a new personnel classification system. However, individual public entities are granted discretion

to code the specific professional profiles of current and future employees, based on a standard methodology recommended by the Ministry of Public Administration.

Nonetheless, this decentralized approach poses some implementation challenges, since public organizations exhibit varying degrees of maturity in terms of strategic workforce planning systems. Particularly, significant differences are observed concerning: (i) the quality of the planning tools available to the individual organizations, (ii) the level of involvement of public managers in the workforce planning process, and (iii) the degree of integration with the overall organizational strategy.

Regarding the quality of planning tools, within a sample of nearly 300 Public Administrations, only one-third of HR managers (32.6%) say they have revised the professional profile classification system. An even smaller percentage of entities (29.1%) has taken the additional step of outlining the skills required for each professional profile. A notable observation highlights the extremely low proportion of public HR managers (6.5%) who believe that their organization actively implements

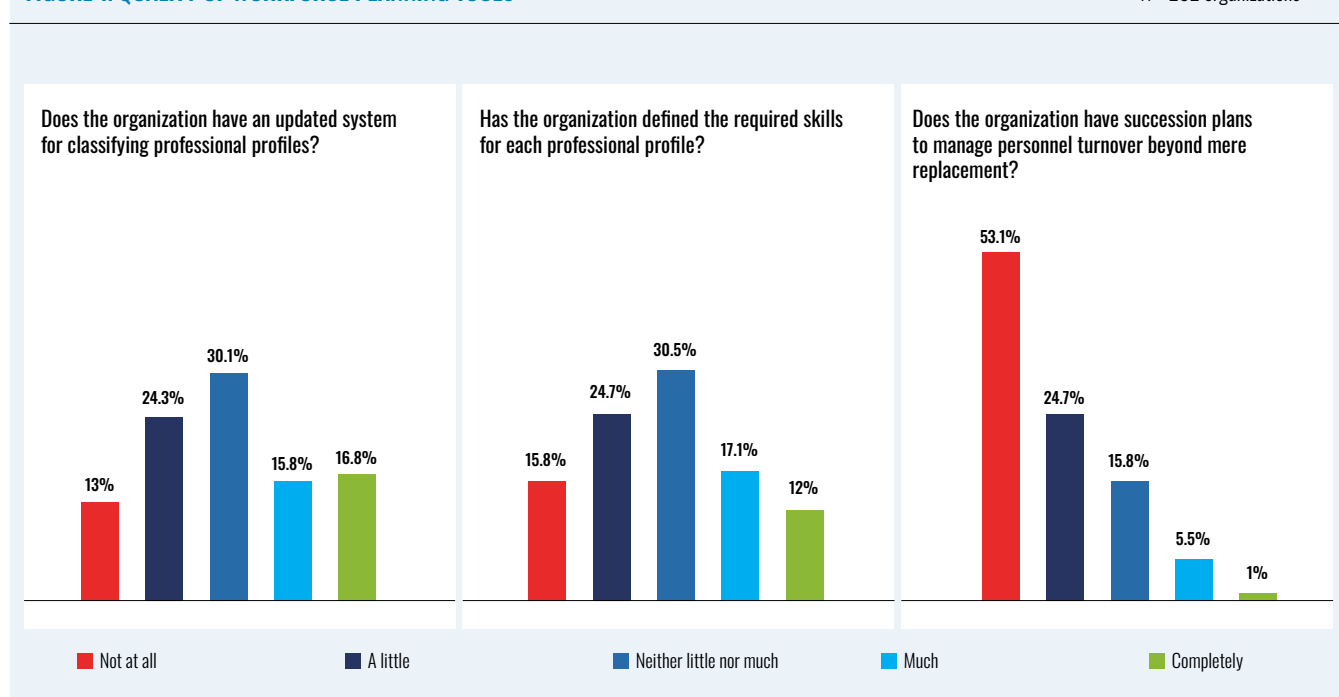
succession plans to strategically manage staff turnover (Figure 1).

In addition to technically sound tools, good workforce planning requires the active engagement and accountability of public managers. In other words, determining staffing needs should not be delegated to HR offices alone, but should instead rely on mutual exchanges between executives (who are in a position to observe the emerging trends in their respective areas of expertise) and HR managers (who are responsible for translating the strategic vision into required occupations and skills). However, in the Italian public sector, in more than half of the public organizations surveyed (59.6%) HR managers express the belief that as far as planning staffing needs, their function does not call on the executives from other organizational units at all, or to any significant extent.

Ultimately, workforce planning should be aligned with the overarching strategy of each government organization to avoid replicating the pre-existing skill mix and to promote the recruitment of new mission-critical occupations. However, in the Italian public sector, only one in

FIGURE 1. QUALITY OF WORKFORCE PLANNING TOOLS

N = 292 organizations



four hiring managers (26.1%) recognizes a link between the determination of staffing needs and the organization's strategic vision for the future. Consequently, only a minority of organizations have redistributed human resources between organizational sectors and professional profiles (20.5% and 15.8%, respectively) (Figure 2).

In summary, the results of our research, conducted on a sample of nearly 300 Italian public administrations, suggest that in most cases, current workforce planning systems have failed to deliver the expected outcomes due to inadequate tools, limited involvement of line managers, and partial integration with the organization's strategic vision.

## SKILLS THAT PUBLIC ORGANIZATIONS ARE PLANNING TO HIRE

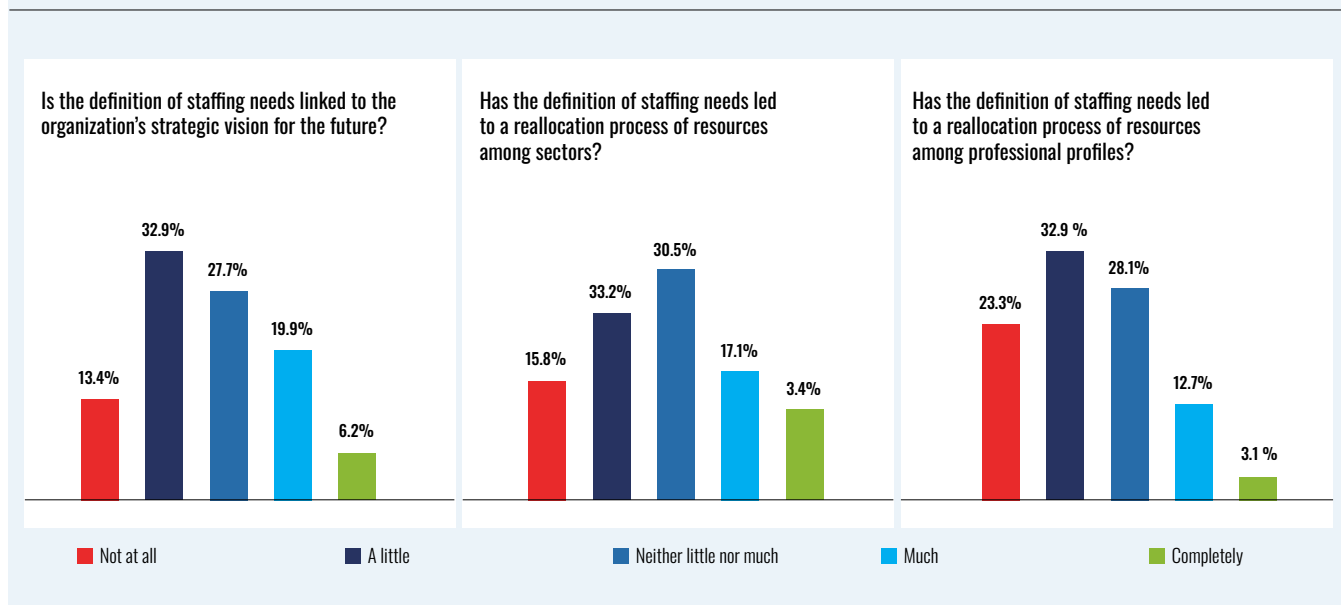
While it is true that public HR managers do not perceive their organization's workforce planning systems as advanced, the Staffing Plan section of the PIAO includes specific information on the professional profiles that public institutions

intend to recruit in the coming years. Therefore, by reading these documents, it is possible to identify the professions that each administration plans to hire and to draw general insights. Yet, a comparative analysis of these documents is hindered by the differences in the personnel classification systems and nomenclature adopted by each public organization. Additionally, the lack of a standardized grid contributes to the variability of the information entered by different administrations: each organization uses very different levels of detail to present data related to current employees, anticipated retirements, and planned hires.

Despite these limitations, an analysis of documents from 50 Italian local governments<sup>1</sup> provides suggestive insights that, while interesting, may not be particularly encouraging (Figure 3). Public organizations are currently planning to hire individuals for traditional roles that have historically characterized the performance of public service functions: administrative and technical profiles together account for 50% of planned hires for the 2023-2025 triennium,

FIGURE 2. DEGREE OF INTEGRATION OF WORKFORCE PLANNING WITH THE ORGANIZATIONAL STRATEGY

N = 292 organizations



<sup>1</sup> All regions, all municipalities with more than 300,000 inhabitants, a sample of medium-sized (150,000-200,000 inhabitants) and small (less than 150,000 inhabitants) municipalities.

with another 11% of anticipated hires related to accounting profiles.

Another significant part of the hiring is aimed at professionals in essential public services (particularly in education and security), where significant staff shortages have accumulated in recent years. Precisely, 12% of the upcoming hires will be local police officers, security guards, or surveillance instructors, while 8% will be teachers and education professionals.

Therefore, 80% of the planned hires between 2023 and 2025 essentially reflect the current mix of occupations and skills within the public sector (administrative, technical, and accounting experts, education and security professionals). New professional roles will be recruited only marginally. For instance, IT and digital specialists account for 3.8% of total recruitment, while project management and European funds management specialists account for just 0.7%.

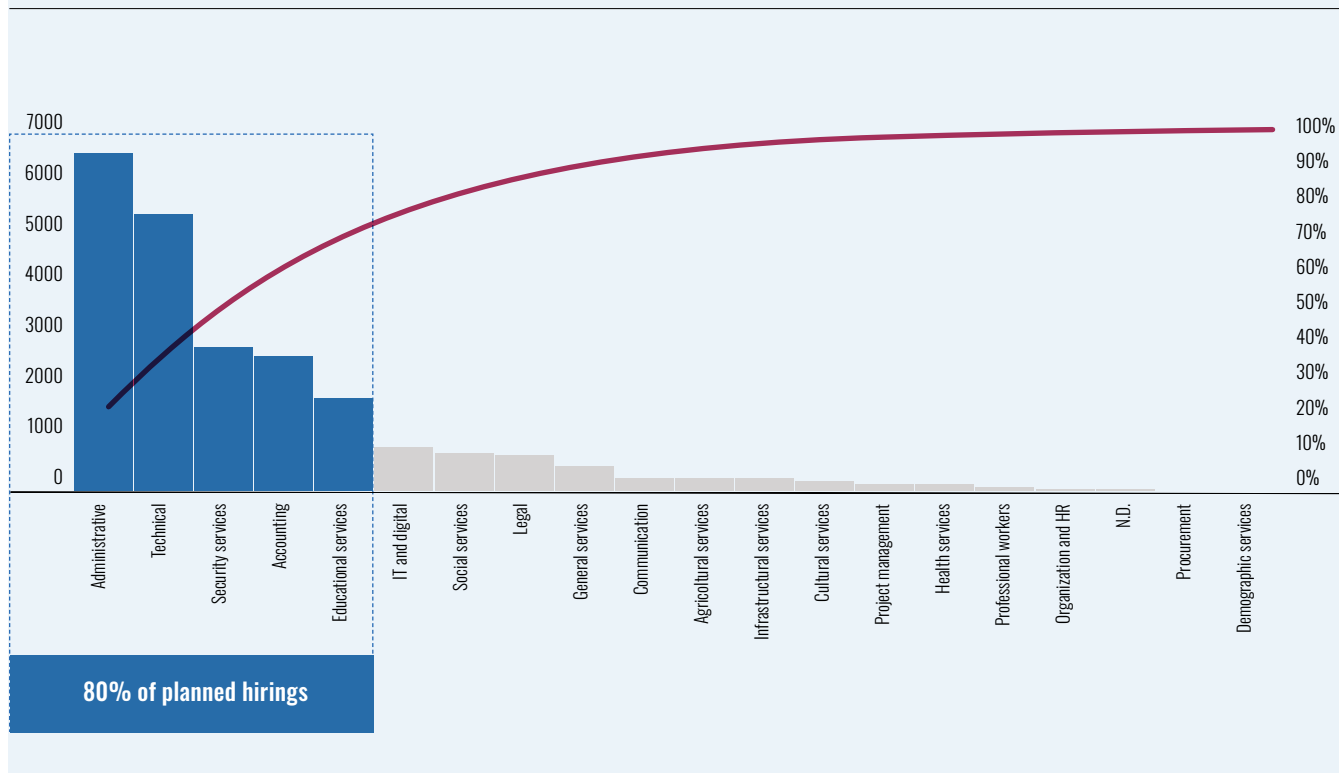
In order to provide a more comprehensive insight into personnel flows and to take into

account the projected retirements in the triennium 2023-2025, an analysis of a sub-sample of ten public organizations reveals no significant variations in personnel composition between the end of 2022 and the end of 2025 (Figure 4). In fact, the variations are less than one percentage point for all the professional profiles, with administrative staff remaining the most represented (up from 23.9% of the workforce in 2022 to 24.3% in 2025).

If these plans were implemented at the end of 2025 (just one year before the end of the National Recovery and Resilience Plan, PNRR in Italian), the reforms aimed at requalifying the Italian civil service may not be successful in changing the mix of occupations and skills in the public sector and may continue to hinder the economic and social growth of the country. This emphasizes the need to identify the mission-critical occupations on which recruitment processes should focus, and to support public organizations in implementing effective strategic workforce plans.

FIGURE 3. PLANNED HIRES IN TERMS OF PROFESSIONAL PROFILES (2023-2025)

N = 42 ORGANIZATIONS



SKILLS THAT PUBLIC ORGANIZATIONS SHOULD HAVE

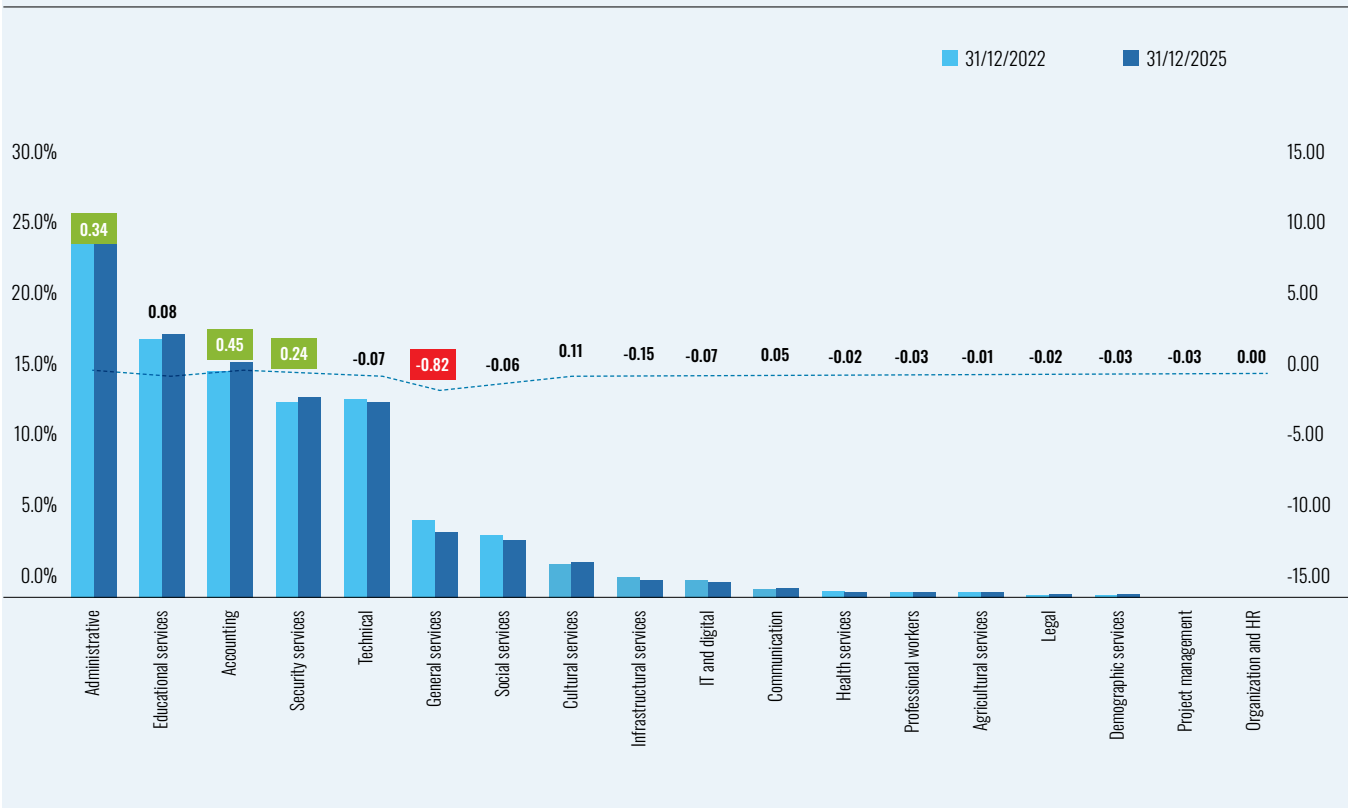
Italian public organizations appear to be preparing to replace senior staff with individuals with professional profiles similar to those currently in the workforce. There is a need to develop strategic thinking about adapting their skill mix in response to the evolving roles they play in service delivery, as well as the impact of digitalization on work processes and individuals. Nonetheless, external stakeholders are advocating for a significant change of pace from their public sector counterparts. In a focus group with representatives from about ten private companies, the desired professional skills and competencies of public employees who work with these private sector players were explored. This discussion led to the proposal of five mission-critical occupations that should be the focus of strategic workforce planning for public sector organizations (Figure 5).

First, public institutions should employ data managers, specialized professionals tasked with collecting, processing, analyzing, and disseminating accurate and reliable data. They should provide policymakers and public managers with timely, high-quality information to support strategic decision-making. This role is important for formulating evidence-based policy and management, and for optimizing the efficient and effective use of data to improve public service delivery.

Second, public organizations should appoint relationship managers who would be responsible for understanding stakeholder needs in order to deliver tailored services. Their role would be critical in establishing collaboration platforms, proactively mitigating potential conflicts, and conducting ongoing assessments of relationships to ensure satisfaction and alignment with organizational goals. Essentially, they would be integral to cultivating robust and mutually beneficial

FIGURE 4. SKILL-MIX CHANGE (2022-2025)

N = 10 ORGANIZATIONS



relationships between public sector organizations and their external stakeholders. Relationship managers would also contribute to strategic planning by providing insights into stakeholder expectations and societal trends, thereby facilitating the formulation of effective policies and service delivery strategies.

Public sector organizations also need project managers to strategize, implement, monitor, and report on projects to ensure successful outcomes. These professionals may take on a cross-functional role, integrating different organizational silos. Their objectives include optimizing the use of public resources, improving accountability, identifying and mitigating potential risks, ensuring timely project delivery, and aligning individual projects with overarching organizational goals.

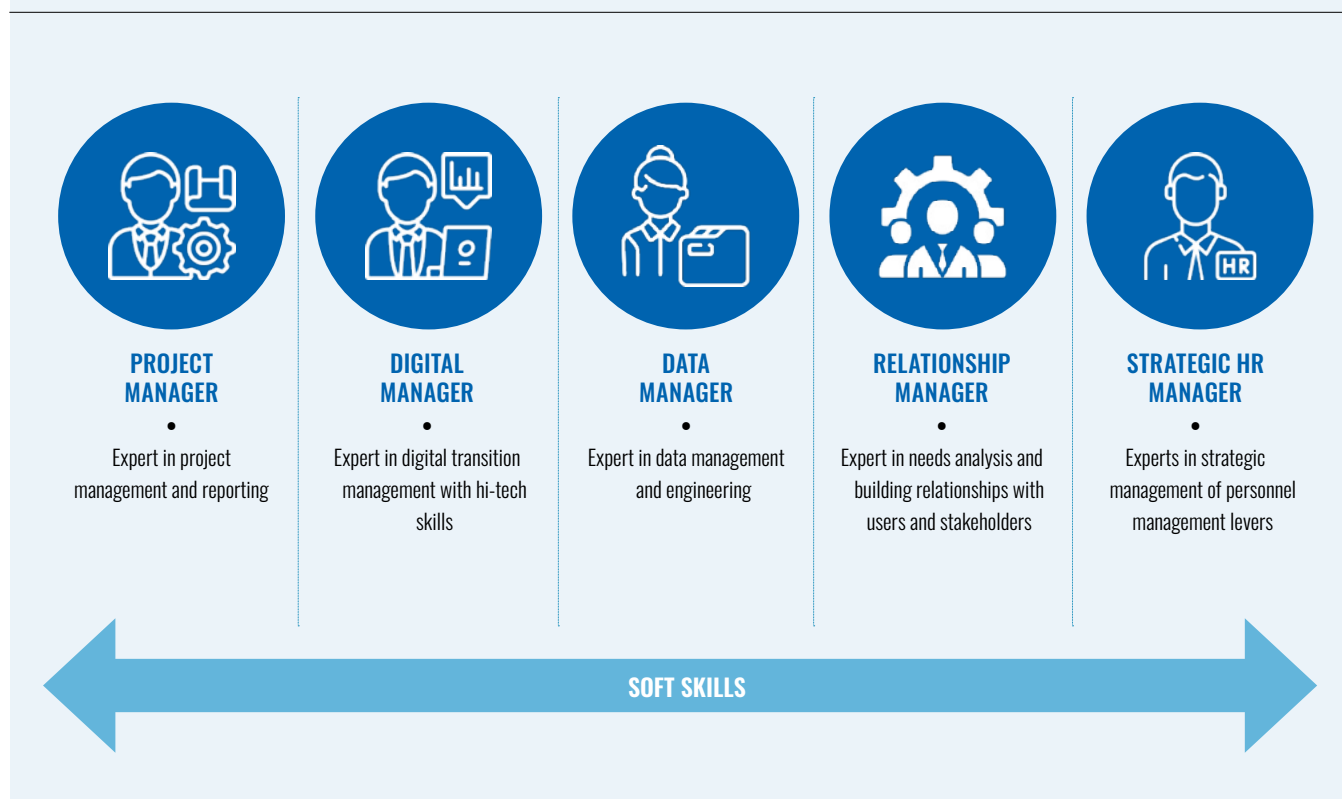
Along with project managers, the private sector emphasizes the need for digital experts who could leverage technology to improve government services, meet the evolving needs of stakeholders,

and foster citizen engagement. They would drive digital transformation initiatives aimed at adopting new technologies (e.g., cloud computing, artificial intelligence, digital platforms) to modernize both internal operations and public service delivery, including designing user-friendly interfaces and ensuring accessibility to a diverse audience.

Finally, public administrations should develop strategic HR management skills to effectively manage, develop, and align people with the organization's strategic direction. The HR function should go beyond the mere administration of legal and monetary aspects of human resource management, avoiding the perception of HR management tools as mere legal obligations. HR managers should increasingly engage in innovative practices for strategic alignment, talent management, and employee development.

In conclusion, from the perspective of the private sector, public institutions should focus their strategic workforce planning on recruiting

**FIGURE 5. MISSION-CRITICAL OCCUPATIONS FOR THE PUBLIC SECTOR**





new professional profiles (data, relationship, project, digital, and strategic HR managers) that are currently underrepresented in the public sector. Nevertheless, public administrations continue to plan the recruitment of traditional profiles, specifically in administrative and technical roles, thereby increasing the risk of mismatch with the expectations and needs of stakeholders.

## HOW TO BRIDGE THE SKILLS GAP

In order to make human resource planning in Italian public administrations more strategic, we highlight four areas of intervention: vision, ways of planning needs, required competencies, and scope of public service core expertise.

First, adopting a vision-based approach means not only anticipating the future state of public services but also integrating this foresight into intermediate decision-making. In this regard, a more solid link between strategic planning and workforce planning could ensure a proper alignment with organizational objectives. Also, recognizing the strategic role of HR managers becomes paramount in guiding these processes effectively. By enhancing their role, organizations can ensure that human capital initiatives are not only reactive but also proactive, fostering long-term success.

Second, rethinking the operational approach to defining personnel needs becomes imperative for sustainable workforce planning. This entails reconsidering the temporal horizon (which is currently constrained to a three-year maximum) to align it with medium to long-term forecasting. To achieve this, organizations should actively engage with the business world and other external stakeholders. Leveraging structured forms of interaction can address a more nuanced understanding of the needs. Furthermore, establishing a common taxonomy for professional profiles and standard formats for defining staffing requirements would be beneficial in creating a shared lexicon for public-service skills, enabling the

comparison of planning strategies across different administrations, and providing support to those that have not yet developed advanced practices.

Third, a comprehensive intervention should involve revising professional profiles and their competencies. Focusing on novel profiles expected to play a critical role in the future becomes a strategic imperative. Upskilling and reskilling initiatives should also be introduced to ensure that public employees are equipped with what they need to perform their evolving roles. Targeted training programs would facilitate the definition of new core profiles, aligning the workforce with emerging needs. The introduction of employer branding policies could further enhance the organization's ability to attract and retain critical profiles. In parallel, the adoption of competence certification tools (such as the "core competences passport" model) could help standardize competences, ensuring a unified and proficient workforce.

Last, finding the right balance between insourcing and outsourcing is a fundamental decision: public organizations should retain direct oversight of key functions and core services, while progressively outsourcing non-essential activities. However, if persistently unable to attract the right expertise, the public sector should create the conditions to leverage the skills of the private or non-profit sector, while retaining a crucial role in defining service quality standards and monitoring their achievement. This "make or buy" rationale extends to human capital planning: public organizations need to judiciously determine those activities that they are able to carry out directly, and the corresponding profiles, as well as those that can be more effectively sourced from the market. This process involves exploring and governing contractual alternatives as viable solutions to direct hiring. In a broader context, it means promoting an extended interpretation of "public service," intended as the collective of actors who possess the appropriate skills to meet stakeholders' needs, whether the public administration acts directly as service provider or as service regulator and overseer.



TABLE 1. SUMMARY OF MAIN FINDINGS

| Current workforce planning systems                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Skills that public organizations plan to hire                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Skills that public organizations should hire                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
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| <ul style="list-style-type: none"> <li>• One-third of local authorities have revised their professional classification system (32.6%) and outlined the skills required for each professional profile (29.1%).</li> <li>• 6.5% of local authorities implement succession plans for strategic staff turnover.</li> <li>• In 60% of sampled local authorities the HR function does not involve executives from other organizational units in planning staffing needs.</li> <li>• One in four HR managers (26.1%) recognizes a link between the staffing needs and the organization's strategic vision.</li> <li>• The reallocation of human resources among organizational sectors and professional profiles has taken place in a minority of entities (respectively, 20.5% and 15.8%)</li> </ul> | <ul style="list-style-type: none"> <li>• 80% of the planned hires between 2023 and 2025 mirror the current mix of occupations (administrative, technicians, experts in accounting, educational and security professionals).</li> <li>• Planned hirings of innovative professional profiles remain marginal (IT specialists represent the 3.8% of total recruitments and experts in project and European funds management 0.7%).</li> <li>• Accounting for projected employment cessations, there are no significant variations in personnel composition between 2022 and 2025 (less than one percentage point for all the professional profiles).</li> <li>• Administrative staff remains the most represented professional profile (increasing from 23.9% of the workforce in 2022 to 24.3% in 2025).</li> </ul> | <ul style="list-style-type: none"> <li>• From the perspective of private companies, local authorities should direct their strategic workforce planning toward recruiting five mission-critical occupations: data managers, relationship managers, project managers, digital managers, and strategic HR managers, which are currently lacking in the public sector.</li> <li>• Public organizations should focus their recruitment and development processes on soft skills and leadership skills.</li> <li>• Public administrations persist in planning to recruit traditional profiles, augmenting the risk of a mismatch with the evolving stakeholders' expectations and needs.</li> </ul> |



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