



/ PD Outlook /

Paving the way to tomorrow's public sector

12. June 2024

/ Für die öffentliche Hand von morgen /

Table of contents

/	Overview.....	3	5	Our contribution to a sustainable public administration.....	35
/	Introduction.....	5	/	Annex	36
/	Management summary	6	/	Contact	37
1	The urgent need for public sector reform.....	7			
2	An overarching vision of the public sector of tomorrow	12			
3	The four areas of reform for achieving this overarching vision	15			
4	The road to success – organisation and approach to transformation	29			

Paving the way to tomorrow's public sector

A reform agenda for urgent change

Assuming that the public sector maintains a stable share of the potential workforce in the coming years, it will be faced with a lack of 0.8 to 1.1 million fewer staff by 2040. This means a shortage of around 20 percent compared to today's personnel requirements.

A focused transformation of the public sector needs to align itself with an **overarching vision for the public sector of tomorrow**. Our vision presented here outlines the transformation of the public sector into a creative and innovative civil service system over the next decade. It is based on nine objectives in three areas: **public welfare and service delivery, capacity to act, and effectiveness and efficiency**.



1. ... is **customer-oriented and puts citizens, business and the civil society's needs centre-stage**.
2. ... ensures the **highest possible level of citizen, business and civil society trust in government action**.
3. ... manages and acts with **foresight with a holistic view of ecological, social and economic sustainability**.



4. ... **derives priorities from policy transparently and comprehensibly**.
5. ... is **able to implement prioritised measures and quickly adapt** to changing priorities.
6. ... **ensures the necessary human and financial resources**.



7. ... maximises **efficiency through automation, cooperation and consolidation**.
8. ... **efficiently manages internal resources**.
9. ... is capable of **working with contractors and to complete projects**, uses external resources efficiently and with an emphasis on impact.

This overarching vision cannot be achieved through isolated measures alone but will require a **holistic approach**. On that basis, PD recommends addressing **four major areas of reform**.

These four areas are:

- **A reorganisation of the sector**
- **Workforce training and motivation**
- **Establishment of a new modus operandi and**
- **Increasing productivity**

Each of these areas of reform comprises a number of measures:

- **Consolidating the administrative bodies' structure** along future focal points (priorities) and challenges
- Introducing a modern **departmental responsibility principle** and reorganising ministerial structures and processes
- Establishing a **new regulatory, management and structural framework** for digitalising the administration
- **Establishing new network organisations and project teams** for implementing change projects that focus on accountability for results
- Compulsory **utilisation of cross-organisational synergies**
- Defining **clear responsibilities, task divisions and decision-making rights** for efficient task execution



... A reorganisation of the sector

- Strengthening the skillsets and mindsets for **transformation, learning and adaptability** as well as **cooperation** and **user-centricity**
- Providing an **attractive working environment** and **ensuring an efficient workforce**
- Strengthening **leadership roles and skills** and anchoring them in personnel processes across the hierarchy
- Establishing a **strategic HR management system** and **managing staff deployment** with a **non-growing share of the labour force wherever possible**
- **Radical reform** of the civil service and collective bargaining law



... workforce training and motivation

Achieving the overarching vision for the public sector will require ...

... establishing a new modus operandi



- **Managing impact** through consistent impact target definition and evaluation
- **Standardised cooperation** on political issues across state and federal borders followed by bundled implementation, one-for-all principle
- **Actively involving target groups** for user-centric services and communication
- **LegOps – transferring knowledge from implementation** to standard formulation
- **Modern central department (C)** for strategic functions like prioritisation incl. corresponding portfolio management and use of empirical data

... increasing productivity



- **Productivity target:** Reducing existing number of jobs by 1-2 % p. a.
- **Critical task analyses** incl. critical review of purpose and implementation processes
- **End-to-end and business process automation**
- Establishing **shared service centres** and **pooling expertise** to realise synergies
- Establishing a **strategic procurement** function
- Developing **digital rule and process structures** for analysing optimisation potentials

These reforms need to be implemented at two levels: the public sector's **institutional framework** (e.g. legal framework), and **individual government agencies**. Both of these levels will need to be addressed in tandem. A platform for developing the overarching vision could serve as the starting point. At the same time, immediate action programmes could start providing relief and mark the success of the public sector of tomorrow. The reform will be founded on both a widely accepted overarching vision and a complementary, coherent reform agenda.



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Introduction

Germany's public sector is facing major challenges: the baby boomers of the 1950s and 1960s are gradually retiring, and this is going to further exacerbate the current shortage of skilled labour in the public sector in the coming years. The worsening demographic situation in the country's workforce and society as a whole means that there is an unprecedented need for action, to which politicians and administrators have not yet found any reliable answers. At the same time, diminishing public budgets at federal, state and local level aggravate the situation. If the state's and the administration's room for manoeuvre continues to decrease, this is going to negatively affect the trust in the democratic community in Germany of both citizens and the economy. For this trust depends on an effective public administration with a capacity to take action.

This is why the public administration's operating model needs fundamental reformation so that it can continue to do its work even in increasingly difficult times marked by multiple crises. This then poses the question:

How can the public sector become performant (again) in the future?

As far as PD is concerned, there is only one answer to this question: **Today's public administration needs a complete overhaul – and to an extent it hasn't seen in decades.**

Our strategy paper "Paving the way to tomorrow's public sector" deals with answers to this very question. In its role as an in-house consultant to the public sector, PD has been providing impetus for change in public administration and has supported its implementation in a large number of projects. Many of these projects have revealed and are continuing to reveal a fundamental need for reform.

In this strategy paper, "**Paving the way to tomorrow's public sector**", we are setting out an overarching vision as the foundation for a sustainable evolution of the public sector. We are pursuing an integrative approach to reform that will broaden the current narrow focus on public sector digitalisation and are proposing far-reaching transformation for the coming years – both at the level of the individual government agencies and in relation to the public sector's structural framework. Illustrative examples of this approach are provided in highlighted sections. In the final section, we are setting out a roadmap for implementing this transformation.

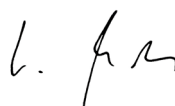
We are very keen to discuss the ideas presented here with public sector stakeholders at both the decision-making and specialist levels. As an in-house consultancy for the public sector, this approach lets us focus our consulting and project implementation services on genuine impact and change. Last but not least, our services are also intended to contribute to the implementation of the "Pact for Accelerating Planning, Approval and Implementation" between the federal and state governments of 6 November 2023.

We hope you enjoy reading about our vision for the public sector and invite you to share yours with us.



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Management summary

A capable and effective public administration is a basic prerequisite not only for a modern and progressive state, but also for successfully overcoming today's diverse and complex political challenges and crises. Yet at present, many citizens, business representatives, and decision-makers in politics and administrations agree that Germany's public sector is only meeting these requirements in part.

Against the backdrop of the rising pressure to cut back on public spending, the baby boomers' impending retirement over the next few years and customers' rising expectations regarding public sector services, this situation is going to become increasingly more acute. We need substantial progress, and this will require **radical transformation – as opposed to just tackling symptoms or implementing stand-alone reforms**. PD, with its extensive experience as in-house consultants to the public sector, has developed a number of proposals for **impactful reforms**.

Our **analysis of the public sector's personnel and budgetary resources** in the context of its current responsibilities shows the **need for radical modernisation**. If the public sector's future share of the potential workforce remains stable, it will have to be able to operate with 0.8 – 1.1 million fewer employees in 2040 – a gap of around 20 percent compared to today's staffing requirements.

Based on this need for transformation, this paper develops an **overarching vision of the public sector of tomorrow**. This vision outlines the transformation of the public sector into a creative and innovative administration over the next decade. It is based on nine objectives in three areas: **public welfare and service delivery, capacity to act, and effectiveness and efficiency**.

This overarching vision cannot be achieved through isolated measures alone but will require a **holistic approach**. On that basis, PD recommends addressing **four major areas of reform**. These four areas are:

- **A reorganisation of the sector**
- **Workforce training and motivation**
- **Establishment of a new modus operandi and**
- **Increasing productivity**

These reforms need to be implemented at two levels: the public sector's **institutional framework** (e.g. legal framework), and its **individual government agencies**. Both of these levels will need to be addressed in tandem. Choosing the right approach and interconnecting the **transformation strategies** is what will ultimately determine the success of tomorrow's administration. The final section of this strategy paper therefore outlines an approach for achieving "**sustainable transformation**" and the (re)establishment of the public sector's capacity to act in a **reform agenda**. In this section you will also find an **immediate action programme for government agencies** to help them introduce sustainable reforms here and now.

The reform agenda primarily focuses on challenges and measures at the federal and state level. Issues pertaining to the municipal level are touched on only briefly; we will discuss them in more detail at a later stage.¹

¹ This analysis does not address the specific implications of EU law and the Europeanisation of the public administration.

1 The urgent need for public sector reform

Germany's federal system comprises federal, state and municipal levels. One of its main characteristic is its consistency and legal certainty. As a predominantly "**preservative administration**", it aims to distinguish itself through a high level of stability in both performance and processes.

Citizens and businesses depend on the authorities to be a determinant of stability during the current times of great change, upheaval and crisis. Yet its capabilities are limited, especially when it comes to managing crises, implementing initiatives for its own modernisation and executing major political and social transformation (Figure 1). There are clear signs of a **tendency towards a "shortage administration"**, characterised by inadequate or inefficient use of (resource) provisions, a lack of strategic foresight, and inadequate increases in productivity, – the administrations appears overwhelmed when it comes to dealing with complexity, speed and implementation rigour.



Figure 1: Public sector maturity levels

At the same time, the emergence of new technologies is raising the **expectations** of businesses, citizens and the civil society regarding the **public administration's service quality and processing speed**. What is also new for the administration is meeting competition: for the first time ever, skilled workers, start-ups and international companies can now choose in which national and regulatory environment they want to develop. In addition, political decisions at national and European level are constantly **adding to the administration's responsibilities without concurrently relieving it of any**. There is a **steady, unchecked increase in government and administration work** and a need for ever more jobs. As a result of the current labour market and demographic situation, this correlates with an increase in vacant positions.²

In view of current demographic changes, the traditional approach of **creating a new job for every new task** is no longer viable.

In future, these challenges are going to increase to such an extent that it seems **questionable** whether **the public sector will be able to do its job in the next decade with its current structures and working methods**.

² Federal Audit Office (2022): FAO report for the German Parliament's budget committee Increase in jobs and unfilled positions in the Federal Administration, https://www.bundesrechnungshof.de/SharedDocs/Downloads/DE/Berichte/2022/stellenschere-bundesverwaltung-volltext.pdf?__blob=publicationFile&v=1, last accessed on 23 November 2023.

An administration which is no longer working or no longer working well is not just a nuisance for public service users and taxpayers: it **poses a fundamental risk** to society and social cohesion. At present, **the citizens' trust in the state** – and consequently also in its democratic institutions – **is increasingly being lost**.³ According to a recent study, only one in three people in Germany still trust in the state.⁴ Added to that, Germany is also becoming less attractive as a business location for companies and skilled workers due to the **lack of modernisation in public administration**.⁵

Staff shortages in public authorities:

*Due to the high percentage of unfulfilled positions and high manual workload in German authorities – such as the immigration authorities – there is a backlog of unprocessed applications and implementation deficits in the application of the law. In order to cope with these administrative shortfalls, the immigration authorities have created a bureaucratic intermediate world, the "probationary certificate" – which is a document confirming that they are currently unable to process a person's residence permit application. In 2022, the immigration authorities issued so many probationary certificates that the Federal Printing Office was unable to keep up with production. Managing these workloads will, among other things, require systematically replacing current with digitalised and data-driven processes*⁶



Current **trends** in the **development of personnel and budgetary resources** clearly highlight the path the public sector is currently on. If the share of public employees in the total labour force remains stable, the public sector will have around 0.8 – 1.1 million fewer employees at all levels (excluding social security) by 2040. This corresponds to a **shortfall of approximately 20 percent** compared to its current staffing needs. These staff shortages are going to affect federal and local government agencies the most, with gaps of **around 30 percent and 26 percent respectively**. At the **state level**, there will be a gap of **around 12 percent**; yet in absolute numbers, state level government agencies will be more affected than federal ones. Figure 2 shows the development of federal, state and municipal government employment by 2040. There is a distinct upward trend from around 48 years of age, particularly at federal and local administration levels. This

³ Trust in the public sector has fallen sharply in recent decades. Cf. OECD (2021): Building Trust to Reinforce Democracy – Main Findings from the 2021 OECD Survey on Drivers of Trust in Public Institutions, <https://www2.oecd.org/governance/trust-in-government/oecd-trust-survey-main-findings-en.pdf>, last accessed on 22 April 2024.

A significant majority of respondents to a recent survey believe that the state is no longer able to cope with the amount of work it needs to do. Cf. dbb Citizen Survey Public Service Sector (2023):

https://www.dbb.de/fileadmin/user_upload/globale_elemente/pdfs/2023/230815_dbb_Buergerbefragung_2023_final.pdf, last accessed on 22 April 2024.

⁴ Another representative study found that 59 percent find contact with authorities and officials very stressful. Trust in the state has fallen further year-on-year to just 35 percent. The state's efficiency is also perceived as low. Cf. Initiative D21 and TU Munich (2023): eGovernment MONITOR 2023, https://initiatived21.de/uploads/03_Studien-Publikationen/eGovernment-MONITOR/2023/egovernment_monitor_23.pdf, last accessed on 23 November 2023.

⁵ Germany is losing its attractiveness as a business location for companies and, in a ZEW study, is only ranked 18th out of 21 industrialised countries. The main reasons for this are the quality of public administration and the red tape and cost associated with state regulations. Cf. Foundation for Family Businesses (2023): Country Index for Family Businesses, 9th edition, ZEW – Leibniz Centre for European Economic Research, https://www.familienunternehmen.de/media/pages/publikationen/laenderindex-familienunternehmen-2023/a7b017f9fa-1700136063/laenderindex-2022_studie_stiftung-familienunternehmen.pdf, last accessed on 22 April 2024.

⁶ Cf. Bertelsmann Stiftung (2023): Study "At the limits - Immigration authorities: aspirations and the realities of everyday life", <https://www.bertelsmann-stiftung.de/de/publikationen/publikation/did/an-den-grenzen>, last accessed on 23 November 2023. Cf. FragDenStaat (2022) Article "Immigration authorities – bureaucratic chaos", <https://fragdenstaat.de/blog/2022/12/09/auslaenderbehoerden-das-systematische-chaos/>, last accessed on 23 November 2023.

projection⁷ shows that this particular age group will retire by 2040 and that new recruits will only be possible to compensate for this to a limited extent. The federal government has a slight advantage as it finds it easier to recruit new staff than the federal states and local authorities. The personnel shortages will also vary in terms of different skills and specialisations: in the technical/planning and IT sectors in particular, this shortage is already severe and will be even more difficult to meet than in other specialist fields.

Additional large-scale government tasks at all federal levels, such as climate protection, cyber security and acute crisis management, also play a role. It is most likely that the **staffing gap will continue to grow** if matters **continue as before**. This is evident from the development of public sector compliance costs, which have risen continuously⁸ in recent years, undeterred by the "one in, one out rule".⁹ This combination of a decrease in human resources and simultaneous increase in responsibility and complexity is intensifying the need for reform in the public sector to an unprecedented degree.

Human resource shortage projections

Number of employees

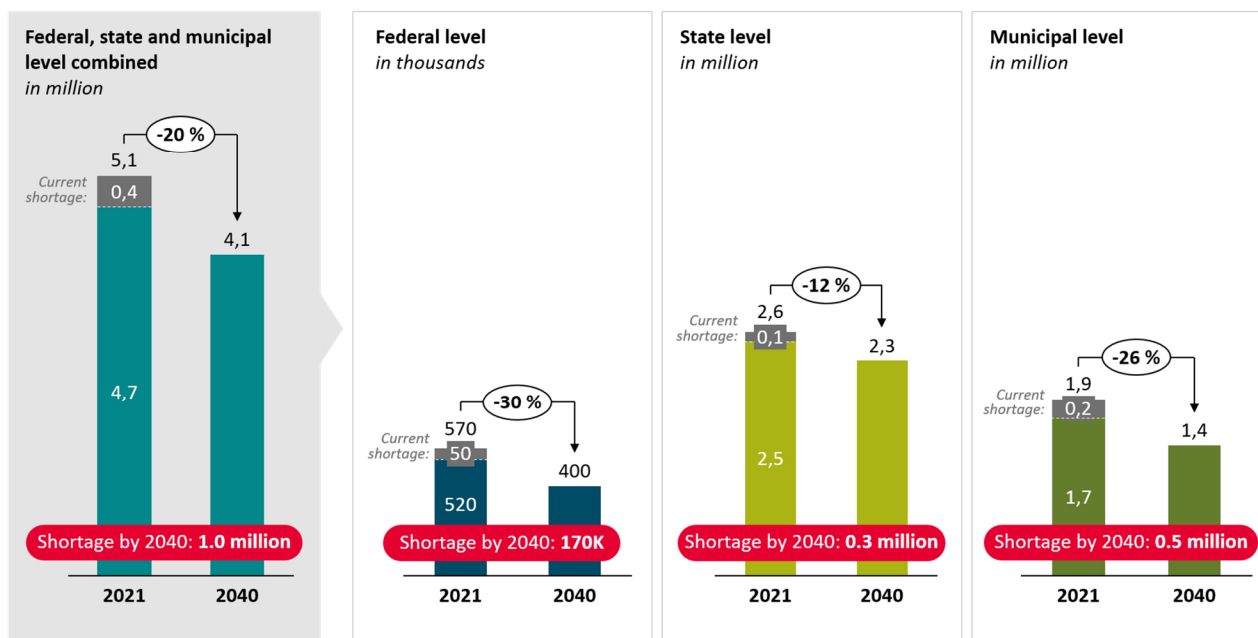


Figure 2: Development of federal, state and municipal government employment by 2040

⁷ This projection is based on the current number of employees and the current proportion of public sector employees of the total population (data from 2021) with an extrapolation into the future. The estimate for the public sector's future staffing needs is based on the Federal Statistical Office's population projections. This in turn is founded on the assumption that the retirement age will have gone up by one year by 2040 compared to 2021. We expect the German public sector's workforce to decline by approx. 600,000 people by 2040. This figure fluctuates between approx. 400,000 and 700,000 when examining different scenarios for population development up to 2040. The projection does not include any estimates of the staffing needs arising from any new potential tasks taken on by public institutions. It also does not take into account social security and military staff.

⁸ The rule states that every regulatory initiative that burdens the economy (*in*) must be compensated for with a relieving initiative (*out*) by the end of the respective legislative period at the latest. The goal is a systematic prevention of an increase in compliance costs. See: Federal Government (2014): Putting a brake on red tape / development of a 'One in, one out' rule, <https://www.bundesregierung.de/resource/blob/975228/393606/c409f5b8a20d4466002547347f7e6399/15-03-25-one-in-one-out-data.pdf?download=1>, last accessed on 23 November 2023.

⁹ National Regulatory Control Council (2022): Cutting red tape for a new era, Annual Report 2022, p. 42 ff., <https://www.normenkontrollrat.bund.de/Web/NKR/SharedDocs/Downloads/DE/Jahresberichte/2022-jahresbericht.pdf?blob=publicationFile&v=6>, last accessed on 23 November 2023.

In addition to the personnel situation, **budgetary considerations** are also forcing the **public sector to re-think its strategies**. In face of the various crises in recent years, the German state has mobilised financial resources on a historically unparalleled scale – not least in the context of the influx of refugees in 2015 and again since 2022, the Covid pandemic, and the consequences of the Russian war of aggression against Ukraine. This has a noticeable effect on public budgets. The increase in pension costs due to current demographic trends and cost increases arising from collective wage agreements as well as higher interest rates and the associated increase in public debt costs are also **putting a strain on the fiscal sustainability of the German state**.

The Federal Ministry of Finance's 2024 sustainability report states that, in view of Germany's **debt ratio**, the German government is expected to **no longer be able to meet the Maastricht criteria for the central EU reference value in the long term**. Net lending/net borrowing, which takes into account the interest burden, is gradually deteriorating and will be permanently negative (see Figure 3).

Fiscal balance of GDP, in %

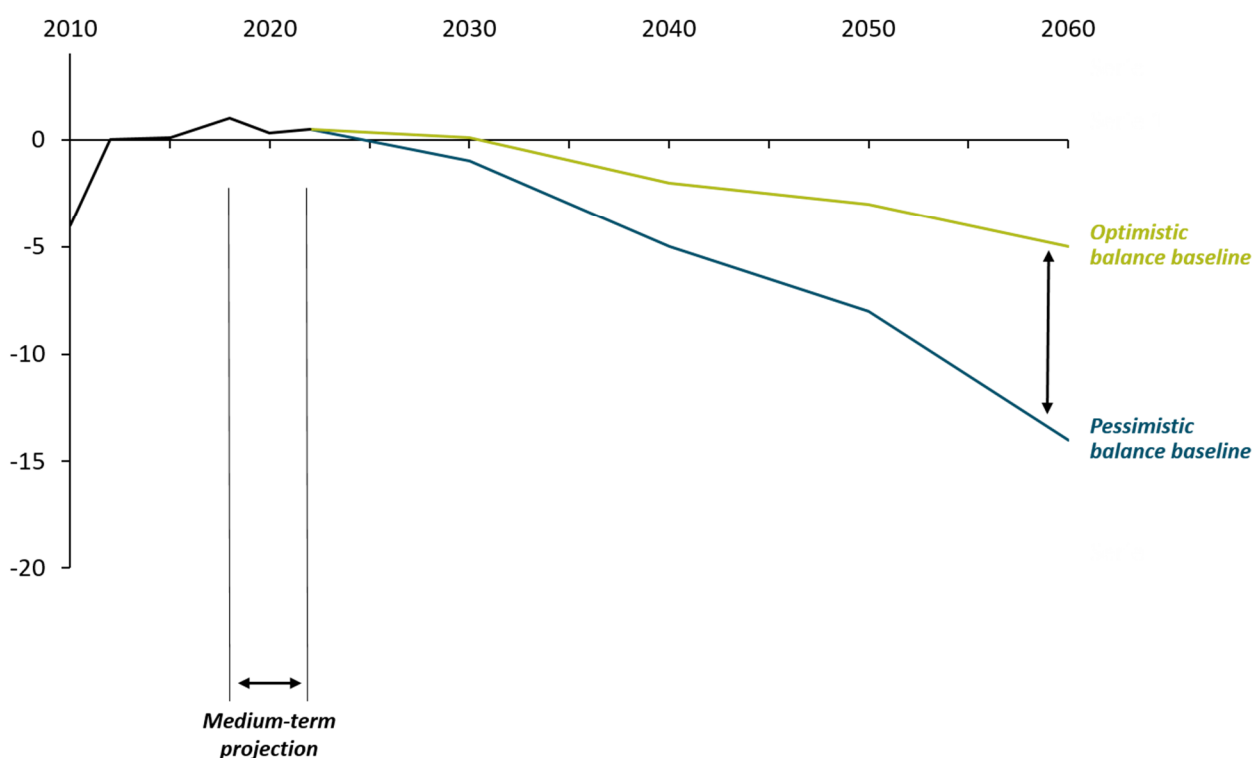


Figure 3: Optimistic and pessimistic fiscal balance baselines¹⁰

¹⁰ The sustainability analysis uses pessimistic and optimistic scenarios based on a combination of various assumptions (e.g. extrapolation of expenditure categories with an assumed GDP growth rate and offsetting revenue). Federal Ministry of Finance (2024): 6. Public finance sustainability report 2024, p. 42 (according to Werding et al. (2023)), https://www.bundesfinanzministerium.de/Content/DE/Downloads/Broschueren_Bestellservice/tragfaehigkeitsbericht-2024.pdf?__blob=publicationFile&v=6, last accessed on 22 April 2024.

These kinds of deficits inevitably increase **pressure to make spending cuts** and further restrict the public sector's scope for action. Due to the rising compliance costs and simultaneous decrease in human and financial resources, **the public sector will no longer be able to quantitatively and qualitatively fulfil all of its responsibilities with its current structures and working methods.** This means that there will be an even greater risk of "shortage administration" than is already the case today (see Figure 1). In order to counter these trends and developments successfully, it is crucial for the public administration to transform into a "creative" or "innovative administration". A radical overhaul and structural reform are what is needed now, as opposed to merely tackling symptoms.

As there will be fewer resources, a precise definition of the state's responsibilities will be crucial: what the state will and should take on in future, to what extent and with which priority. This will require for the state and society to agree on an overarching concept of the German state which clearly specifies the state's domains and which focusses on the achievement of distinctly defined targets. This vision of the German state is not the subject of this paper. It is evident, however, that regardless of its future shape, the state will require a public sector capable of realising its guiding principles.

2 An overarching vision of the public sector of tomorrow

The transformation of the public sector centres on an **overarching vision**. It defines propositions and approaches the central question: ***How can the public sector become performant (again) in the future?*** The focus is on three central areas: **public welfare and service delivery, the capacity to act, and effectiveness and efficiency** (see Figure 4).

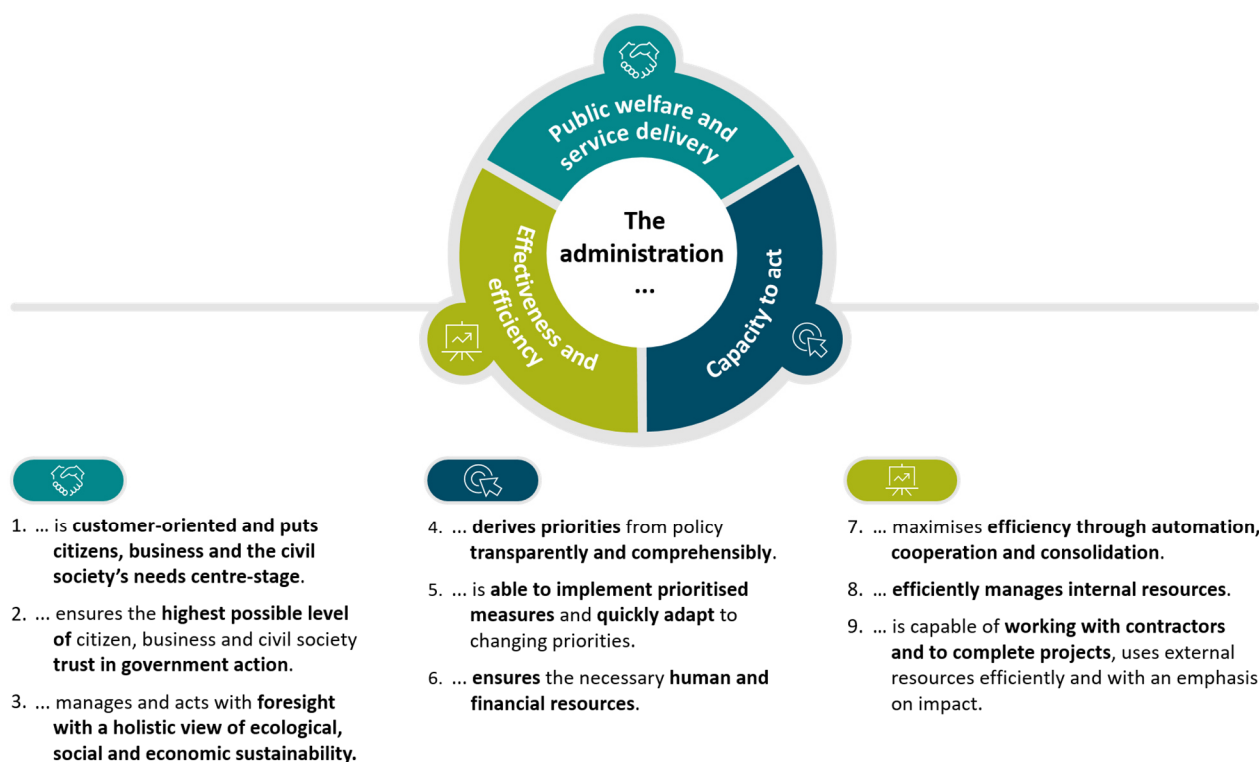


Figure 4: Overarching vision of the public sector of tomorrow

The area of **public welfare and service delivery** is governed by the following three objectives:

1. **"The administration is customer-oriented and focused on the needs of citizens, businesses and the civil society"** Wherever the administration provides services for citizens, it is aware of and focused on the needs of its target groups. As a service provider, it puts the recipients of its services first. It makes it easy for the target groups to find what they need and presents information in easily understandable ways. As digitalisation progresses, the target groups are involved as stakeholders from an early stage, e.g. product development.
2. **"The administration ensures that citizens, businesses and civil society have the highest possible level of trust in government action."** A key goal must be to restore lost trust. In order to achieve this, the administration has to act efficiently and comprehensibly: rules and decisions need to be transparent, and citizens, businesses and the civil society must know their rights at all times. It is crucial for political decision-makers at all levels to aim their attention not only at the policy formulation process but also at the implementation of their policies.
3. **"The administration manages and acts with foresight, taking an integrated view of ecological, social and economic sustainability."** The **success** of a societal transformation **towards ecological, social and economic sustainability** is of central importance for public welfare in Germany. The public sector has to **be in a position to successfully manage complex and cross-departmental action programmes** on

the foundation of superordinate policies, for example concerning climate change. It must be able to balance conflicting objectives and to find solutions which simultaneously meet various requirements. It is important for the government to make the effects and links between pending decisions transparent, and to establish suitable management systems and stakeholder networks in order to enable their implementation beyond specific legislative periods.

“Capacity to act” is translated into the following three objectives:

4. **“The administration derives priorities from policy in a transparent and comprehensible manner.”** The administration's actions are based on clear political objectives. The public sector proactively operationalises political goals, communicates them internally and externally and demands their clear prioritisation where necessary. It keeps track of relevant connections and dependencies between goals based on risk assessments. Yet being able to manage initiatives efficiently requires goals to be designed and worded concisely. There is currently a trend towards ever more detailed directives for implementing initiatives, which significantly affects their manageability.
5. **“The administration has the ability to implement priority measures and to quickly adapt to changing priorities.”** From defined priorities, the public sector is able to determine central core outcomes and to target its actions towards achieving them. This means that it will focus on accountability for outcomes rather than assigned responsibilities. The potential for impact-oriented increase in efficiency is evaluated regularly in implementation reviews. The state considers itself a learning organisation, and the public sector will set out to acquire the experience and capacity required to respond quickly and resiliently to any necessary short-term changes. Prioritisation includes deprioritisation.
6. **“The public sector ensures the availability of the necessary human and financial resources.”** One of the public sector's core competencies is its ability to define adequate long-term resource frameworks for its responsibilities. It ensures the availability of the required resources by means of efficient tax administration. One key element are long-term human resource requirement plans (quantity and competences) for efficiency-oriented task fulfilment. Presenting itself as an attractive employer, the public sector will be able to recruit and retain staff from the fewer numbers available on the labour market. Against the background of the skilled labour shortage we are already experiencing now, the administration will on the one hand have to compete for the best skilled workers. Yet on the other hand it will also have to be prepared to make do with significantly fewer staff so that more are available to businesses in Germany and Germany as a business location in return. Demand planning must be central to considerations of new tasks for the public sector: can they be covered with existing resources? If the performance of a task requires additional resources, the public sector must organise itself in such a way that these can be procured effectively and sustainably, or it must make cuts elsewhere.

The area of effectiveness and efficiency is governed by the following three objectives:

7. **“The administration maximises efficiency through automation, cooperation, and consolidation.”** The administration defines and achieves a “return on standardisation and digitalisation”. It will use the automation potential in its work in order to be able to complete tasks faster, in a more user-centric way, and using the fewest possible resources. Vertical and horizontal end-to-end optimisation of administrative processes, digitalisation, and the use of AI applications – where it proves possible and useful – are key. This will be supported by a consistent provision of standards and the establishment and expansion of efficient, modular digital infrastructure. Cooperations across federal levels and states will prevent expensive duplications and to achieve the best possible outcomes with the fewest resources. What is key in this respect is to avoid reducing the quality and effectiveness of administrative action.
8. **“The administration manages its internal resources efficiently and effectively.”** For this objective, it is crucial for the administration to be able to utilise and manage existing resources efficiently and to

achieve political goals effectively. In order to ensure that targets are met it needs to establish a proactive, evidence- and data-driven decision-making and management system.

9. **“The administration is in a position to complete projects with contractors and service providers, utilising external resources efficiently and effectively.”** The public sector has the expertise to professionally manage complex tasks and projects as part of a portfolio, to establish sustainable and modern work and project structures, and to use external expertise and capacities as support in a targeted manner. External resources are utilised efficiently, with a distinct focus on the set goals. The experience and knowledge garnered in projects with external partners are saved and managed within the public sector. The public sector furthermore builds strategic partnerships with relevant stakeholders to improve its impact-orientation and efficiency.

3 The four areas of reform for achieving this overarching vision

Achieving the overarching vision set out above within the next decade will require far-reaching changes. These changes can be grouped into **four areas of reform: responsibility, competence, service, and efficiency**. These areas of reform are interdependent and need addressing in unison for maximum effect.



Figure 5: The four areas of reform for achieving this overarching vision

3.1 Responsibility: the public sector has to change its structure



The public sector must ensure its ability to act and increase its focus on public welfare and service delivery as well as its effectiveness and efficiency. This requires examining its current public authority landscape in terms of its constellation, its focus on responsibilities and its structural and procedural organisation. In view of the challenge of having to operate with 20 percent fewer staff, increasing efficiency is no longer “just” a matter of following economic principles: it is a crucial prerequisite for a viable administration.

The **administrative bodies’ current structure must be critically reviewed and then consolidated**. This re-orientation of the public authority landscape, both in terms of contents and organisation, is to be based on **focal points (“priorities”) and challenges identified as relevant for the future**. Strategic foresight will become a critical skill for the public sector, as it has to identify emerging fundamental challenges and areas in need of action. At present, this may include areas such as industrial society’s digital transformation and ensuring the future viability of the pension system. Once identified, the public sector then needs to bundle its capabilities to address these future issues. It will need to create structures which are capable of dealing with the job at hand – irrespective of departmental responsibilities (which are ultimately assigned based on political decisions).

The consolidation of the administrative landscape structure:

These days, it is very common for the administration to create a new authority whenever it takes on a new responsibility. Hence, the number of authorities has been steadily growing, which is contributing to the increasing confusion over which authority does what. In future, authorities will be merged across departments and states (e.g. as an institution under public law) – in conjunction with a consolidation and modernisation of the legal and technical supervisory authorities. This will include merging cross-disciplinary authorities and responsibilities with the aim of achieving the greatest possible synergies (see Shared Services Centres).



Ministries will be given a **new orientation**, based on a **contemporary framework of departmental responsibility**. Their organisational structures and processes will be restructured, and subordinate authorities will be involved in this process. The departments will continue to be responsible for their specialist areas, while there are two options for responsibilities concerning central and interagency tasks: precise assignment across departmental boundaries or centralisation in shared service centres. This will reduce the number of duplicate structures and free personnel for prioritised or new tasks. The public sector's distinct, silo-like structures and hierarchies need to be dissolved. In their stead there will be optimised structures on the basis of customer-oriented processes. These processes need to be digitalised in order to improve value chains and leverage efficiency potentials. This also applies to intermediate bodies and municipal authorities.

Digitising the administration is also going to require radical structural changes: a new **regulatory, management and structural framework** in which digitalisation features as a central component of administrative transformation¹¹. Government departments need to see themselves as “specialist digitalisation ministries” with distinct digital responsibilities and potent digital capabilities. They are in charge of driving the digitalisation of the administration based on a contemporary framework of departmental responsibility – as team, with boldness and a focus on standardisation.

New forms of network organisations will have to be established – especially for challenges currently regarded as line functions – in order to provide recurring tasks with a clear focus on **responsibility for results** and to implement them more efficiently. The aim must be to improve speed and responsiveness as well as the decision-making competences of the public sector. Administrative actions can no longer be driven by the logic of specialised departments but by a **consistent focus on responsibility for results**. This focus has to be the **benchmark for assessing the performance and the actions of those involved**. Organisational competencies are a key prerequisite for this new way of working. The public sector will need interdisciplinary and **cross-organisational project teams** to counter the subject-specific, structural and stakeholder-related complexity of its new challenges. These project teams need to be staffed with a focus on the skills required to implement the planned project rather than the traditional criteria of administrative responsibility. Such a new way of collaborating requires **promoting employees' project skills**, making their competences transparent within the administration. Expert communities and agreed standards will have to be established.

¹¹ For more information, please refer to: “Revisioning federal work division – for a digitally networked administration of tomorrow” from 19 October 2023, https://www.pd-g.de/assets/231019_PD-Position_Foederale-Arbeitsteilung.pdf, last accessed on 23 November 2023.

Network organisations:

At present, draft legislation that affects multiple departments is initially drafted by a specialised unit from one department and then fine-tuned with the other ministries. Under the new concept, employees from across all departments would be assigned to pools according to their skills. The employees from these pools would then be used to form temporary teams – with authority to act and decision-making responsibilities – in order to develop draft legislation more quickly and cooperatively. Any consultations or decision-making along the hierarchy will then no longer happen separately by department, but within a cross-departmental steering committee.



There will be a generally applicable **requirement to leverage synergies across ministries and government agencies**. Network activities are characterised by an optimisation of **intra- and inter-agency interfaces and parallel structures** as well as **transparency regarding current projects** implemented in individual public sector organisations. This will make effective collaboration between ministries, or between ministries and subordinate authorities, possible by avoiding redundant projects, pooling resources and speeding up consultation and decision-making processes. It will be important to determine to what extent the **government agencies' internal structures and processes** have to be adapted or reorganised, in particular by means of **systematic harmonisation and standardisation**, in order to be able to act more efficiently. All government agencies, and especially the ministries, need a consistent **focus on their core tasks** as opposed to performing a multitude of tasks outside their original scope, as is currently the case. As part of this process, it will be necessary to establish a systematic process of assessing, pooling ("consolidation") and then redistributing non-ministerial work. These tasks will have to be taken on by subordinate authorities or **legally independent units** (e.g. institutions or organisations set up under private law). In the sense of a systematic completion of the Bonn-Berlin move, these shifts could be achieved by transferring core ministerial functions to Berlin and transferring operational tasks to subordinate authorities.

Synergies:

At present, many authorities at all federal levels are currently developing AI projects designed to effectively help to answer parliamentary and press enquiries independently of each other, despite the fact that they are all dealing with similar issues and IT infrastructure requirements. In future, the authorities will agree uniform standards and interfaces between them to this effect and share information about all ongoing AI projects. This will save costs, prevent errors from being repeated and at the same time support scaling.



In order to make sure that the public sector is able **to operate efficiently**, it will be necessary to **clearly define responsibilities and allocate tasks** for each function both horizontally and vertically. **Granting stakeholders** directly involved in the realisation of a task **clearly defined decision-making rights** will provide them with sufficient power to implement projects with the necessary authority and responsibility. This needs to include a precise definition of how tasks are divided between the involved actors in order to prevent friction and delays during implementation.

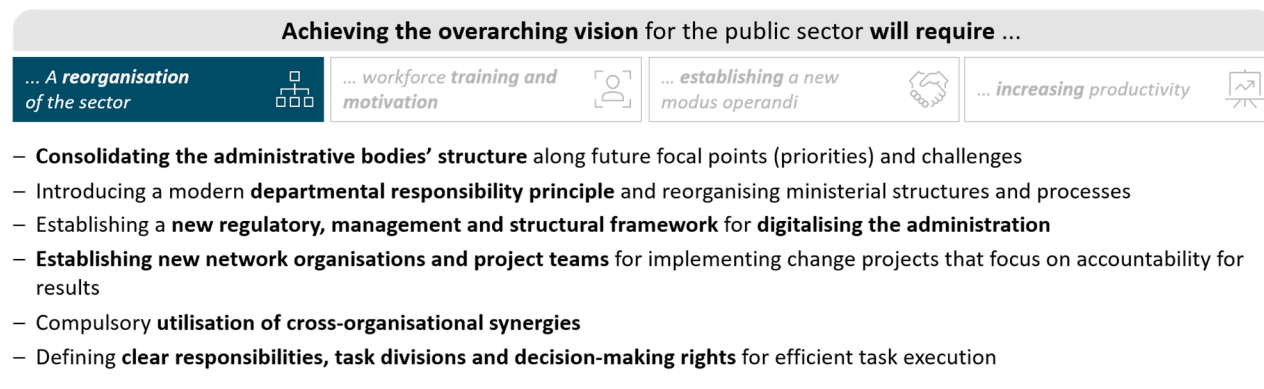


Figure 6: The first area of reform for achieving the overarching vision

3.2 Competence: the public sector has to develop and motivate its personnel



The **people working in the public sector** are crucial to its successful **transformation**. Whether it is renewing structures, consistently focussing on public service users, developing new business models, or increasing productivity – the actual 'doing' is always down to the administrative employees and their understanding of their role. It is more than fulfilling statutory responsibilities and duties: their role entails a consistent focus on service users, impact, and public welfare. Administrative activities must be comprehensible and reliable, and they need to be accompanied with communication skills and a will to transparency. While it remains important that tasks are performed reliably, there is a new demand for contributions to the re-shaping of a changing society.

Such changes will only succeed if the **public sector improves its leadership roles and skills, establishes new cultures of cooperation, and creates attractive work models** – in tandem with progressive structures and legal frameworks.

The administration's staff – at both senior management and working level – and their **future-relevant skills** and **forward-thinking mindsets**, are key to establishing a capable and innovative public administration. This also includes a **greater ability to change, learn and adapt** on the part of the entire workforce at management, middle management and working level. Where the mindsets of the current management staff perpetuate rigid structures and unyielding cultures, the coming wave of retirements should be systematically used as an opportunity to break with traditional culture.

Uniform HR management system:

In line with the current understanding of the departmental responsibility principle, (nearly) every ministry has its own human resource management IT system at federal level. This means that the work required to operate and further develop the systems is being duplicated multiple times, and makes it more difficult for IT staff to switch to other departments due to, for example, differing skill management categories. Hence, what is needed is a standardised, cross-departmental IT system for HR management, which will make it possible to leverage efficiency potentials and content-related synergies.



One of the aims of this break is to enable a **culture of error and experimentation** based on the use of innovative technologies, formats and methods. This will allow staff to actively contribute their ideas to the organisation and drive innovation. Developing and consolidating these skills will be an ongoing task for the entire public sector and every individual public institution, and should also be accepted as such (e.g. in their principles or as part of the organisational values).

Leadership roles and leadership skills should also be **strengthened across all levels**, particularly as part of a common understanding of leadership. This should include conveying **appreciation, motivation and inspiration** to employees in particular, as well as **meaningful delegation, responsibility transfer, and result achievement management**. The promotion and development of modern leadership skills and the establishment of interdisciplinary, agile forms of cooperation should also be firmly anchored in the **organisation and its processes** (e.g. by means of mandatory, regular training courses and making them a requirement for promotion). Curricula of educational institutions responsible for training future administrative staff must address the relevant skills and qualifications.

This should allow employees to influence their position in the organisation through their **personal commitment and performance** – and ideally with the professional and personal support of their managers.

The public sector will only be able to make progress if it is able to recruit, sustainably develop, and retain talent in the administration. In view of the competition of the private sector, the administration will need to provide a modern and **attractive package of services and working environment** in order to win the war for talent. The administration should also reflect the **social reality of diversity**, which will have a positive impact on both the credibility and acceptance of the administration and the productivity of administrative teams.

As a core element of the structural reform, the administration's **HR management** has to be **strategically aligned and strengthened**, in each individual authority as well as across the board. This includes introducing **strategic and long-term personnel requirement planning** to manage the deployment of personnel – as a minimum, across departmental boundaries, and at best, also across federal boundaries. This planning does not just refer to the number of employees needed long-term, but also target competencies: What competencies do we as an organisation require in the next 5-10 years, and which ones are going to become redundant at some stage? In view of the skilled labour shortages, the **benchmark** for this new planning must be that the **public sector's share of the potential workforce is not going to increase**. The focus must be on empowering, developing and **increasing existing staff's productivity** as opposed to creating new jobs.

The **optimisation of the HR management structures** should also include application and recruitment processes. Application processes should be aligned with the organisation's employer branding and employer value proposition. The overall aim will be to **increase the attractiveness of working in the public sector** and the speed of the application process in order to counteract skilled labour shortages and losses.

Modern, comprehensive HR management:

In current practice, HR management often still essentially just comprises personnel administration. Personnel development is primarily understood to mean professional development – and often personnel specialisation – as well as hierarchical promotion. Leadership and other social skills are only developed in a systematic manner where those in charge of an organisation have recognised them as important and have taken action.

The provision of corresponding development paths across departments or government levels – or even in exchange with the private sector – remains an exception, not least because of the inability to transfer pension entitlements. This makes it difficult for the public sector to position itself as a modern employer on the market and to overcome organisational silos.

Modern HR management takes a holistic approach to working conditions and development opportunities, values the development of leadership skills and non-specialist qualifications, and promotes cross-organisational development through compatible role and competence models as well as the transferability of entitlements when joining and leaving an organisation.



In order to increase the public sector's attractiveness and productivity, it will be essential to **dissolve self-contained departments with their own individual administrative cultures in favour of a public labour market with permeable structures**. **Lateral moves between public institutions, as well as into the private sector** and vice versa must be facilitated consistently and progressively. This kind of **flexibilisation** will allow for a **greater level of freedom in the movement of labour between public administrations and private enterprises, which in turn** limits lock-in effects and allows for the **pooling of skills** to aid productivity gains.

Yet the framework for further developing the public administration's workforce is currently largely governed by the guidelines laid down by **service law**, which are constitutionally guaranteed for the civil service's core areas. This **legal framework of the careers, salary and pension legislation will need a fundamental review and further development** to create the legal prerequisites for any measures required to achieve the overarching vision. In this context, it will be necessary to review the possibilities for a **fundamental reform of the civil service and the Collective Wage Agreement for the Civil Service (TVöD)**. As part of a modern HR system, the **legal bases and procedures for co-determination should also be further developed and simplified**.

The further development of service and collective bargaining law needs to focus on creating a transparent framework for effective incentives for ongoing skill development within administrative organisations (in terms of an organisation that learns through its workforce). This should be done either by systematically and sustainably developing internal personnel or by recruiting external personnel. This requires a radical **reform of promotion procedures** and the **appraisal system** with the aim of filling (management) positions based on performance. New versions of archaic German office titles (e.g. 'Counsellor of Legation, first class') give an indication of the future-oriented mindset being pursued.

These reforms should also include the further development towards a contemporary understanding of the sovereign powers which will continue to require civil servants.

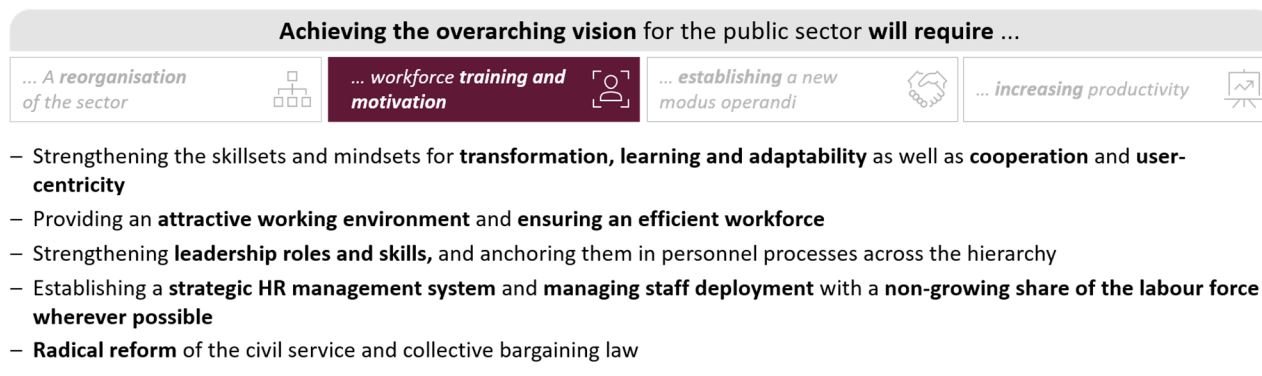


Figure 7: The second area of reform for achieving the overarching vision

3.3 Service: the public sector has to establish a new modus operandi



The public sector has to establish a **new form of cooperation** within the administration and with key stakeholders in society and politics in order to ensure its ability to act, and to increase its focus on public welfare and service delivery as well as its effectiveness and efficiency.

This means that public sector management needs to focus on **impact as a core aspect of action**, instead of managing input based on funds spent, as is currently widely the case. This will require **embedding this impact-oriented management approach in the political cycle** (by formulating smart impact goals) and operationalising it within the administrative cycle (use of appropriate key figures and impact-based evaluation) via suitable processes. Within the administration, the prerequisites for this are a shared understanding of key interdependencies¹² and a portfolio approach that uses **systematic project and portfolio management** to transparently initialise, establish and prioritise the relevant tasks and projects.¹³

Impact orientation:

At present, one of the most popular criterion for measuring the success and progress of public sector projects is "funds spent". However, this does not give any indication of a project's impact or efficiency. In future, transformation and administrative digitalisation projects will be assigned measurable result and impact criteria, such as the number of monthly users and their satisfaction, as well as reductions in personnel deployment and costs. These criteria will be made transparent to citizens and businesses.



In order to further increase impact, master challenges and achieve the overarching vision, **cooperations** between government agencies across state borders and federal levels **need to become standard procedure**. This will require establishing appropriate frameworks and incentives which promote cooperation (e.g.

¹² "Objectives and Key Results" (OKR) is one potential framework that can support the regular definition of and management of concrete impact-oriented results during the year.

¹³ This can be achieved using approaches such as the PM² project management standard introduced by the European Union and the PMflex standard further developed by the Federal Office of Administration for the German administration.

further development of the allocation of legislative and administrative competences in Basic Law, amendments to ordinary legislation, e.g. in procurement and competition law). In projects, capabilities should always be **pooled across all levels in terms of digitally networked administrative cooperation**: The federal, state and local authorities need to commit to adopting interoperability and a joint implementation model for administrative tasks. The administrative body responsible for the project implementation does not necessarily have to be the one providing the administrative resources required for implementation. This could also mean selecting one or several government agencies for **creating a standard that can subsequently be used nationwide** in the sense of a **mandatory one-for-all principle**, instead of separately developing administrative services in-house in each state or even each municipality. Individual federal states could also administrate the infrastructure for the performance of administrative tasks for all federal states and municipalities nationwide, while at the same time handing over the administration of the execution of federal state tasks to the federal government.

Cooperative I:

At present, there are more than 50 public IT service providers with similar service portfolios, challenges and solutions in Germany. Their co-operation across states and levels, especially in terms of joint operations, but also simply in terms of sharing products (apart from Online Access Act (OAA) EFA services), would improve performance and customer satisfaction – at lower costs. The responsibility for selected IT services and infrastructure could be bundled (e.g. across federal states) or centralised (e.g. moved from local authorities to the federal government). The aim of any of the above would have to be to centralise and professionalise IT service providers on the one hand, and to ensure that they are managed on the basis of clearly defined objectives on the other.



The public sector is also changing the way it works with its target groups, especially citizens and businesses. The **target groups** need to be **actively integrated and involved** in suitable and effective formats (e.g. focus groups, panels) from the (re)design to the final creation of a service. This is the basis for developing services that match the target group's needs and quickly identifying any need for legislative changes to improve a service. Communication with the target groups should also be simplified (i.e. standardised, consistent and appreciative) by means of continuous feedback and collaboration. This could be supported with the introduction of a **standardised nationwide design system** and a common agency which provides the public sector with insights from customer surveys and panels for further improving its services and offers support and training as a service provider.

In order to communicate this new image to the outside world, **standards and government programmes** need to be systematically designed to be simple(er), (more) comprehensible, and (more) uniform. Administrative action must be communicated and explained in such a way that it is easy to understand and appealing to the respective target group. This includes giving citizens a **transparent insight into the implementation status of ongoing projects**, as well as their goals and benefits, opportunities and risks. Establishing easily understandable and implementable legal standards will reduce complexity in applicability and increase legal conformity – for example through consistent simplification, shortening, standardisation and the reduction of exceptions, or through uniform and enforceable implementation practices. Experimentation clauses for testing regulations at short notice could be beneficial. **Systematically digitalised processes**, which use all of the data that is already available to the state for reference (once-only principle), could also contribute to the above.

Cooperative II:

The current EfA principle for OZG services is based on the principle that states will offer their EfA services to other states after their development using corresponding marketing. In future, this principle will be applied in reverse to all new standards: The states work together by default and jointly develop processes and IT (or transfer responsibility for doing so to a state). If a state wants its own, bespoke solution, it can leave the co-operative.



In addition, a new mode of cooperation with politicians will also be essential in order to continuously improve the public sector. The administration has to incorporate **knowledge from implementation** (e.g. from practitioners from enforcement agencies, authorised persons, businesses) **into the formulation of standards** ("LegOps")¹⁴ much more effectively than before. To this end, new procedures for formulating standards in the ministerial administration should be managed like projects. They should include small (virtual) teams consisting of representatives from the federal states, local authorities and the implementation level (e.g. public IT service providers), using modern collaboration and coordination tools to adjust drafts based on their feasibility and digitalisation potential. The use of design thinking, agile approaches, or other methods has the potential to create a process in which creators and target groups are brought together from the word go in order to achieve wider acceptance. This would include modelling and simulating various options in order to be able to meaningfully assess their consequences.

These kinds of impact-orientation and cooperation also require structural changes. **Modern central departments** need to act across departmental boundaries and view themselves as service providers for and modernisers of the entire authority. They will provide specialist departments and, in the case of ministries, the relevant divisions with transparency regarding resources, synergies and cooperation along the lines of a 'corporate group approach'. They uniformly implement cross-departmental standards within the government agencies, build up central capacities for pursuing prioritised core projects, and provide advisory support to all management levels (in particular objective, service provider, project and portfolio management). Systematically collecting and using **empirical data** about administrative activities will allow modern central departments to **proactively analyse action scenarios** and help other stakeholders to make evidence- and data-based decisions. In addition to technical requirements, such as the establishment of adequate inter-federal and cross-sector data exchange platforms, there are a number of other requirements which must be met. These include the establishment of a data culture, data competence and data governance as well as an openness to consultation and continuous improvement measures (e.g. regular retrospectives).

Modern central department:

At present, central departments are not sufficiently scrutinising specialist departments' ongoing requests to create new jobs for new tasks. In future, the modern central department will be able to help specialist departments to prioritise their existing task portfolio at an early stage when taking on new tasks in a public authority thanks to resource management and data-driven transparency, so that the required resources can be made available from existing resources or a pool. This will prevent the creation of more "boxes" and demands for more staff/jobs that later cannot be filled.



¹⁴ The term "LegOps" stands for the key players from the legislative (legal) and implementation (operations) levels and their collaborative drafting of legislation.

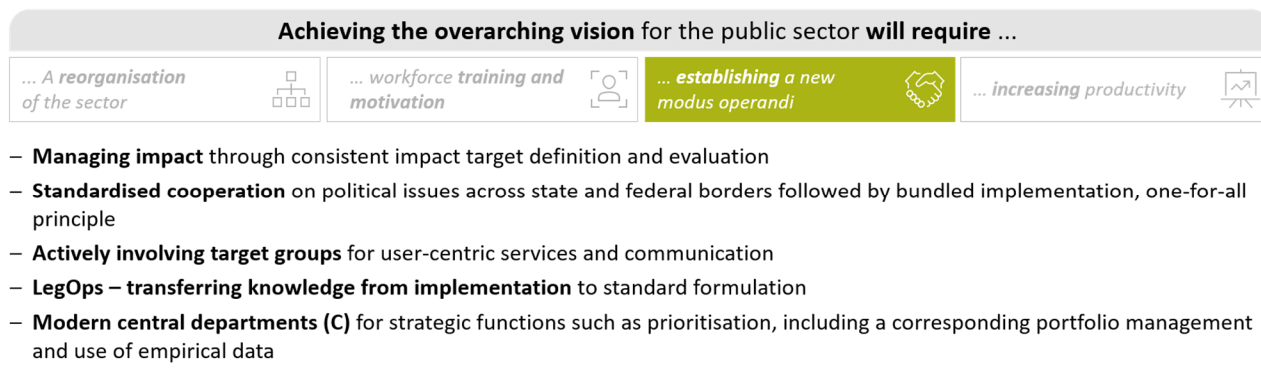


Figure 8: The third area of reform for achieving the overarching vision

3.4 Efficiency: the public sector has to increase its productivity



As illustrated above, the public sector's work is increasingly characterised by two types of shortages: declining funds and fewer staff. As a result, it will need to utilise its available **resources** more **efficiently**, maintain the current level of quality and effectiveness of its actions, and at the same time set itself up to meet increasing service requirements. This is not something that can be achieved ad hoc and will need a **productivity programme**.

The starting point for any successful productivity programme is to set a number of clearly defined **productivity targets**. These targets can be derived from the resources situation described above, in particular the shortage of skilled labour. Current demographic developments mean that **the public sector will have to reduce its current number of jobs by 1-2 percent each year**. As various regional authorities are going to develop in different ways, and as changes within the public sector service areas will sometimes still require the creation of additional jobs, there will be **a need for overarching strategic workforce planning in order to more clearly ascertain these adjustment corridors in relation to the various administrative sectors**.

These can later be expanded by a consistent critical task analysis in order to establish which tasks the public sector should actually perform and to what standards. The identified tasks should then be prioritised in order to determine which tasks need to be given priority in the event of resource shortages. This needs to be followed by structural changes, process optimisation and consistent and standardised digitalisation or automation. These steps will be explained in more detail in this chapter. In an ideal case, these specific savings corridors will lead to a reallocation of resources – more resources for service provision in the social, education and health sectors and less for managing administration or processing applications.

Savings targets could be defined as concrete goals and could be supplemented with **incentive-based approaches**. An example of an incentive-based approach would be the systematic support of individual or organisational units' realistic but particularly ambitious plans to improve productivity by providing additional **investment funds for their implementation**. Conversely, if the **implementation were to fall short of the plan, it would need to be sanctioned**. Defining such targets will always raise awareness of the relevant specific need for action.

The **process** of implementing the objectives needs to be **based on a systematic, critical task analysis of the relevant administrative activities**. This assessment needs to include a critical review of the purpose as well

as the implementation process – i.e. of the 'what' as well as the 'how'. These two elements of the assessment will need to be consolidated as an institutionalised process of reflection concerning the usefulness and purpose of the individual tasks and its implementation. This would significantly strengthen the public sector's ability to respond to new challenges and priorities in the long term.

Organised critical task analyses:

Mission-critical projects often fail because of information and decision-making asymmetries and a lack of incentives. Those best placed to assess the usefulness of the tasks they perform often do not have sufficient decision-making power or any interest in eliminating them. A critical task analysis will only be able to bring about significant change if it is embedded within an overarching, targeted process with sufficient resources for analyses. This is why the creation of such a process has to be at the very top of any local authority's hierarchy.



In order to efficiently and effectively reduce tasks and costs, the current portfolio of tasks needs to be scrutinised and reflected critically, and then adapted in a process involving politicians, citizens and businesses. The goal is a systematic **review of their purpose**. It will be necessary to review and optimise the impact of administrative processes within the context of evidence-based **critical implementation reviews** and an impact-oriented management approach.

Within the context of the reform agenda, these critical implementation reviews need to involve **systematically positing service provisions as value chains** ("sourcing") which need to be optimised in terms of efficiency and quality. This includes the systematic **automation and optimisation of administrative processes** on the basis of a powerful **digital infrastructure**, seamless transfers at interfaces, the bundling of cross-departmental tasks into **shared services**, the outsourcing of processes to private sector stakeholders, and the establishment of a **digital control and process structure**. This includes consistent IT consolidation and the replacement of old IT systems.

Consistent **end-to-end process automation, the use of AI, and business process automation**¹⁵ are instrumental in improving service provision efficiency. As prerequisites, the administration needs to prioritise **register modernisation, the establishment of a centralised cloud infrastructure**¹⁶ and the **achievement of the OAA targets for an interoperable service infrastructure**. A centralised cloud infrastructure for the administration, preferably nation-wide, would both secure the digital sovereignty of the public sector and be highly cost-efficient to operate. The implementation of **human-centred (sub-) process automation using AI applications will free up significant public sector capacity for more important tasks**, making it possible to respond to different circumstances of citizens and ensure greater satisfaction among citizens and public service employees.

¹⁵ Elaborate mandated AI governance structures (cf. EU AI Act) are a general necessity. Process automation should be considered on a case-by-case basis and involve assessing whether a process is a) suitable for full automation (in particular in the case of clear, not interpretable criteria and low performance risk), b) requires human interaction ("human in the loop"), or c) is not suitable for any automation.

¹⁶ The centralisation of IT infrastructure operations on a shared cloud will create significant synergies compared to the current distributed (multicloud) approach.

AI assistants:

In public administrations, existing knowledge is often difficult to locate or spread over different organisational units, which means that it tends to be of limited practical use. This is where it might be possible to use AI, such as in the form of a “public administration assistant” that supports knowledge work by conducting intelligent research and summarising texts or by automatically compiling reports and documents based on information from various sources. AI can also be used to make it easier, less labour intensive and quicker to provide citizens with information. Chatbots are able to answer questions by semantically searching subject-specific documents and hence to deal with many queries in real time without any direct involvement of public administration staff and to offer personalised advice and recommendations concerning matters such as taxes, health and education.



In addition to general optimisations arising from automation, internal processes could also specifically be optimised by exploiting the synergies which would arise from the creation of **shared services**. The creation of shared services in the central departments or across several agencies would make it possible to bundle and professionalise recurring and cross-departmental tasks by pooling expertise, deepening specialisations, and successively utilising synergy effects. Shared services have to be service-orientated and strive to consistently improve efficiency on the basis of comparative key figures. Ultimately, public sector services should be broken down into such highly efficient modular units that they can be recombined optimally in different contexts in terms of “**administration as a service**”. Any form of duplication or parallel operations across administrative levels could be eliminated.

Shared service centres:

At present, all local authorities – sometimes even including those at the lower administrative levels – have their own independent payroll accounting systems, which are structurally very similar across the nation. In a shared service centre for the “Group” – i.e. the administration or different regional authorities – the public sector would bundle tasks and make them available – in a standardised form – to the group. This would mean that all of the various tasks in the areas of HR, IT, budget, legal and compliance – as well as operational services such as fleet management or organisational health management – that were previously decentralised would be bundled in a service centre. This would make it possible to benefit from synergies and to quickly establish good practices.



The establishment of a strategic procurement function would enable the public sector to make targeted decisions regarding external procurement or in-house provision. This would enable public authorities to assess which **parts of their value chain should be provided internally, externally, or in cooperation with other public partners**. These kinds of decision mean, on the one hand, that public sector institutions could establish long-term, reliable collaborations with private partners or with each other and, on the other hand, that they could review which services to provide in-house or to procure on the market in terms of economic efficiency. Such considerations would also have to take into account aspects of supply security and (digital) sovereignty.

The final building block for improving efficiency is the creation of a **digital rule and process structure for lawmakers (legislators)** (also known as a **digital twin**), which would make it possible to map and analyse current laws and rules as well as resulting processes. The digital twin would be dedicated to modelling and monitoring laws, ordinances and other types of regulation with all their internal dependencies and step

sequences. This would make law 'virtually' accessible. Interactions and potential for simplification can be identified and addressed, and key execution processes are ensured. The use of empirical data will make it possible to simulate regulations and the impact of possible changes, making existing regulatory complexity more manageable. A digital twin would thus create the specific prerequisites for straightforward and consistent digital implementation (digital checks).

The digital tax law twin:

Today, tax law has become so complex that it is generating ever higher bureaucratic costs and contradictions. This is one of the reasons why the joint implementation of the necessary specialist digital tax administration procedures by the federal states and the federal government is stalling. Digital twins can be used to visualise dependencies and contradictions, including unwanted tax structuring options in tax law, make them accessible for systematic simplification, directly simulate the impact of changes on taxpayers and revenue, and to automate adjustments to specialist procedures.



Achieving the overarching vision for the public sector will require ...

... A reorganisation
of the sector



... workforce training and
motivation



... establishing a new
modus operandi



... increasing productivity



- **Productivity target:** reducing the existing number of jobs by 1-2 % p. a.
- **Critical task analyses** incl. critical review of purpose and implementation processes
- **End-to-end and business process automation**
- Establishing **shared service centres** and **pooling expertise** to realise synergies
- Establishing a **strategic procurement** function
- Developing **digital rule and process structures** for analysing optimisation potentials

Figure 9: The fourth area of reform for achieving the overarching vision

Figure 10 shows a **summary of the reform measures in the four reform areas of responsibility, competence, efficiency and service:**

- **Consolidating the administrative bodies' structure** along future focal points (priorities) and challenges
- Introducing a modern **departmental responsibility principle** and reorganising ministerial structures and processes
- Establishing a **new regulatory, management and structural framework** for digitalising the administration
- **Establishing new network organisations and project teams** for implementing change projects that focus on accountability for results
- Compulsory **utilisation of cross-organisational synergies**
- Defining **clear responsibilities, task divisions and decision-making rights** for efficient task execution



... A reorganisation of the sector

- Strengthening the skillsets and mindsets for **transformation, learning and adaptability** as well as **cooperation** and **user-centricity**
- Providing an **attractive working environment** and **ensuring an efficient workforce**
- Strengthening **leadership roles and skills** and anchoring them in personnel processes across the hierarchy
- Establishing a **strategic HR management system** and **managing staff deployment** with a **non-growing share of the labour force wherever possible**
- **Radical reform** of the civil service and collective bargaining law



... workforce training and motivation

Achieving the overarching vision for the public sector will require ...

... establishing a new *modus operandi*



- **Managing impact** through consistent impact target definition and evaluation
- **Standardised cooperation** on political issues across state and federal borders followed by bundled implementation, one-for-all principle
- **Actively involving target groups** for user-centric services and communication
- **LegOps – transferring knowledge from implementation** to standard formulation
- **Modern central department (C)** for strategic functions like prioritisation incl. corresponding portfolio management and use of empirical data

... increasing productivity



- **Productivity target:** Reducing existing number of jobs by 1-2 % p. a.
- **Critical task analyses** incl. critical review of purpose and implementation processes
- **End-to-end and business process automation**
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- Establishing a **strategic procurement** function
- Developing **digital rule and process structures** for analysing optimisation potentials

Figure 10: Summary of the reform areas

4 The road to success – organisation and approach to transformation

The public sector's transformation is a **cross-departmental and cross-level task**. While there may be plenty of room for manoeuvre for individual trendsetters and thought leaders, this undertaking cannot be completed by the federal government or a single department alone, or by one level acting in isolation. This holds true even more so in view of the fact that the federal government is (primarily) the legislator. The constitution assigns the responsibility for the enforcement to the states, as a rule, who have largely transferred this task to the local authorities. Achieving all of the potential set out above, releasing the motivation present within the administration, and moving towards a creative and innovative administration will require a cross-level approach with a view to cooperation. The acute and historical implementation backlogs in many authorities mean that there is little capacity to accomplish this transformation. In many cases, the lack of transformation expertise is yet another aggravating factor. It is therefore an essential management task to set appropriate priorities, allocate or pool sufficient internal resources, and build up or organise expertise.

In this section, we are proposing a possible way in which this transformation of the public sector could be accomplished. We are first going to describe the necessary organisation and then the timeframe for the transformation. An infobox gives information on immediate action programmes for agencies. Figure 11 gives an overview of the structure for the transformation, comprising a platform, a unit for the transformation of the institutional framework, and a unit for the transformation of individual authorities.

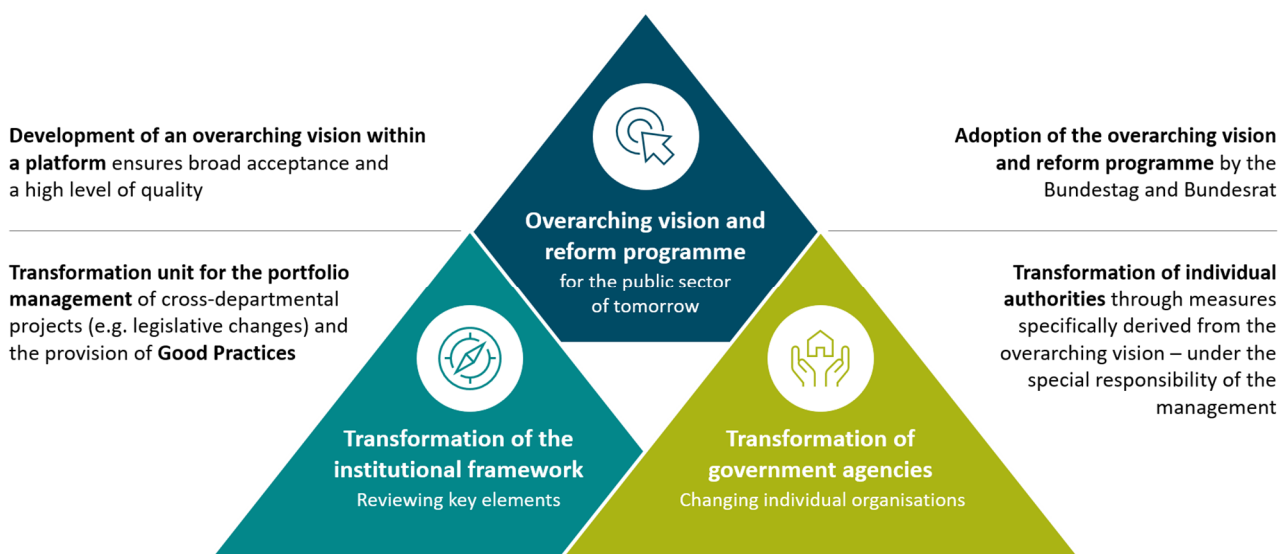


Figure 11: Diagram showing the structure of the transformation

4.1 A platform for the public sector of tomorrow

The starting point for a successful transformation is a clear overarching vision which is accepted by everyone involved. Yet it can only be brought to fruition if the necessary changes are actually tackled. Even though the political pressure to transform the administration from the population, businesses, the media, and civil society has never been greater, **at present, the public sector has neither a widely accepted overarching vision nor a coherent corresponding reform agenda.** This is why we suggest establishing a platform for developing an overarching vision and deriving a reform agenda from it. There are three different ways in which this platform could be configured, comprising either an independent panel of experts, a citizens panel, or a convention.

4.1.1 An independent expert panel for the public sector of tomorrow

An independent expert panel could provide relevant expertise for the focused development of an overarching vision. In 201, the National Regulatory Control Council (Normenkontrollrat, NKR) already suggested **setting up an independent panel of experts** in its paper “An initiative for creating a high-performance administration and sustainable state”. This panel was to “dedicate itself to addressing structure-related questions concerning the modernisation of the state and administration, free from considerations of everyday politics and the public sector’s own logic”.

Similar to the Regulatory Control Council for Bureaucracy Reduction, this option would also involve setting up an independent panel for the modernisation of the state and administration based on a statutory audit mandate. The panel would **advise the federal government on the state and administration's modernisation** and publish position statements and expert reports. Its work would focus on the efficiency of individual authorities as well as of the administrative system as a whole. Its aim would be to enter into a “systematic, critical-constructive dialogue with the authorities and federal government” and to thus “initiate a systemic modernisation process , transitioning into a continual improvement process.”¹⁷

4.1.2 A citizens panel for the public sector of tomorrow

The use of citizens panels is widely **established as a process** for developing recommendations for actions. They are formed by randomly selecting citizens to **represent society as a whole** who then jointly develop recommendations through discussion of the relevant topics. They are supported in their work by **experts** who deliver **short talks** about different facets of the panel’s topics. However, the experts themselves do not take part in these discussions. Not only does this format ensure the inclusion of relevant expertise but also the democratic and representative elements necessary for a wide acceptance of an overarching vision.

The first citizen panel appointed by the German Parliament on the subject of “National food recommendations in a time of change” completed its work in early 2024 and developed highly relevant recommendations. A **citizens panel for the public sector of tomorrow** could use the same approach used by this panel to develop an overarching vision. It would be able to cover many of the convention’s facets, is already an established format and would ensure the processes’ democratic support.

¹⁷ National Regulatory Control Council (2021): An initiative for creating a high-performance administration and sustainable state. Recommendations for sustainable modernisation – during times of crisis and beyond.

4.1.3 A convention for the public sector of tomorrow

A convention involves the participation of many citizens and experts in the development of the common vision. The convention should pursue an ambitious and (relative to the Federalism Reform Commissions and digital strategies of the federal and state governments) **a radical approach to administrative and state reform** in order to align the public sector with current and future challenges and needs. The convention should include input from all relevant social and political groups. This would enable a **broad level of participation and high level of acceptance of the overarching vision** as well as a consensus on the necessary transformation of the public administration as an undertaking that will **be continued over multiple parliamentary terms and legislative periods**. Many of the conflicts between goals, for example between job security on the one hand and greater automation on the other, can be resolved by jointly examining the foreseeable labour shortage.

Working groups with **representatives from politics, the administration, business, citizens, and the civil society** should be the operative basis. The convention's working groups would also address the individual points of the overarching vision and the reform areas described above. In order to guarantee the convention's democratic legitimacy and to be able to amend its provisions, the **convention's work should be reviewed and approved by the Bundestag and Bundesrat**. Any legal changes and amendments to the convention should require cross-party consensus.

By resolution of the Bundestag and Bundesrat, part of the convention working group would subsequently continue to act as a **support and advisory body for the transformation**. This body should also be in a position to assess the transformation progress – and make this information available to the public.

4.1.4 Managing the overarching vision's development and implementation

Achieving the overarching vision, irrespective of how it is developed, will involve a **high degree of complexity**. To ensure the ambition and speed required for a successful implementation, the overarching vision should be implemented on the basis of a **reform agenda**. This reform agenda should be jointly decided by the Parliament and the Federal Council because it will inevitably affect all levels of the state. It would furthermore have to address two areas of administrative reform: the transformation of the administration's institutional framework and the transformation of the individual government agencies. Government agencies should initiate independent adaptation measures derived from the overarching vision. The reform agenda should include **measurable milestones**, prioritised projects for the respective reform horizons, and **independent progress reports on implementation success**.

In the event of any unresolvable conflicts, **long-term decisions should be given preference over not making any decision at all**.

4.2 The transformation of the institutional framework

Transforming the public administration into a creative and innovative entity involves a large number of different elements which will all need to be coordinated and implemented across all of the levels involved. These elements are of a cross-authority or cross-level nature, and in particular refer to projects with an overarching focus on achieving synergies.

In order to be able to manage these overarching projects strategically, a **management structure for the transformation of the institutional framework** will be necessary. This structure should consist of a transformation unit and a federal steering committee made up of federal, state and local authority representatives.

The **federal steering committee** makes policy and directional decisions based on the convention's resolutions. The projects' financing should be ensured by a joint **modernisation budget** set up by the federal and state governments. The steering committee would commission and act as the central recipient of progress reports on the overarching transformation programme.

The **transformation unit** for administrative transformation should be installed in a central position. There are various options: within an existing federal state institution, in the form of a special representative, through a ministry or a high authority for transformation or special tasks. The transformation unit has two key jobs: project portfolio management and the provision of supporting components. Project **portfolio management** comprises deriving projects from the overarching vision and reform agenda, as well as preparing and managing them. If necessary, it could also include preparing the relevant legal adjustments in cooperation with the responsible actors from the federal and state authorities.

The projects' implementation should be managed in close collaboration with the federal state chancelleries and the Federal Chancellery. The transformation unit should also initially support the development of the overarching vision. It should be staffed with administrative modernisation practitioners from all levels and from all kinds of different backgrounds (e.g. from the private sector). As a second part of its role, the unit should also **scale good practices for the transformation of individual government agencies**. This would include standards developed internally as well as good practices, lessons learnt from failed approaches and established methods, based on the experiences of the various federal levels.

4.3 The transformation of government agencies

In addition to the transformation of the institutional framework, each individual government agency will be required to implement a transformation that is aligned with the overarching vision. This will involve deriving a **reform programme** from the overarching vision that is **specifically tailored to the respective public institution**.

Due to the overall organisational orientation of the government agencies' transformation, the **management responsibilities in all agencies will increase**. Management must support this project actively and visibly, **driving and implementing the transformation**.

Committed management teams actively driving and supporting their organisation's transformation are crucial to the success. Change creates uncertainty and can make those involved resistant and defensive. The need for change must be tangible, and this requires **transparent and target group-oriented communication**. This is why it will be important to announce changes early and to communicate it within the government agency. For those in charge, this means involving and getting on board all relevant stakeholders within their own agency, including staff representatives, department heads, and the central department.

The first step towards change is to define a common **overarching vision** that is shared by all relevant stakeholders. This vision needs to paint a clear picture of what it sets out to achieve, and it must enable all stakeholders involved to define measures and assumptions for implementation. A roadmap for implementation is part of this: it defines the roles of the project team members, reform agendas, budgets, timeframes, and governance.

Immediate action programme for agencies:

*Any government agency who would like to start initiating their transformation can do so right away. This can be done by simply **adapting the overarching vision and reform areas set out above to their own organisation**. The reform measures set out above for each of the reform areas – which are responsibility, competence, service and efficiency – can be implemented immediately and without the need for a platform. When doing so, agencies will first need to examine which of the reform areas and measures are relevant to them. Once it has defined its overarching vision and potential solutions, it can start to evaluate and adapt its current approach.*

*In terms of the **reform area of responsibility**, an organisation can review its organisational structure and processes with a view to breaking down organisational silos. Network organisations and getting people to work more in interdisciplinary project teams are just two possible solutions.*

*In terms of the **reform area of competence**, creating a better work environment, developing a new understanding of leadership and a progressive mindset are all viable options.*

*In terms of the **reform area of service**, an organisation could promote a stronger focus on impact and actively involve target groups.*

*In terms of the **reform area of efficiency**, one option would be to perform a critical task analysis within the organisation, introduce shared services and optimise sourcing.*



The overarching vision, measures and their progress should be **continuously communicated** within the organisation. Setting a good example will be one of the key tasks of the management. In times of change, employees look to management for **leadership**, navigation and orientation. Good leadership can boost motivation, eliminate fears and resolve resistance. Especially at the beginning of a transformation, highly present and communicative support can help get a project off to a good start and aid its success from an early stage.

In the implementation, there will be **successes** while, as assumptions prove incorrect or risks materialise, it may be **necessary to make adjustments**. Progress should therefore be continuously monitored and measures and assumptions adjusted as and when necessary. It is especially important to communicate these adjustments and any errors – both within and outside the organisation.

This kind of approach makes it possible to motivate those involved, create transparency, and facilitate a long-term willingness to change.

Processes of radical cultural change and transformation can only be initiated and maintained if effective communication has been established. Managers need to provide transparent and impactful information about the reform programme, the measures being implemented, and the associated opportunities. They must make it possible for people to become actively involved and use participation formats.

4.4 The implementation of the reform agenda

The following is one example of how the reform agenda could be implemented. An implementation period of a decade is long enough to achieve far-reaching reforms in public administration and at the same time short enough to enable decision-makers to take action now, during their current times in office.

The implementation can be roughly divided into four phases, which are shown in Figure 12:

1. Defining the overarching vision and creating the foundations
2. Creating a legal framework, developing the concepts and implementing the first pilots
3. Scaling good practices and broad implementation of the transformation
4. Finalising the public sector's transformation

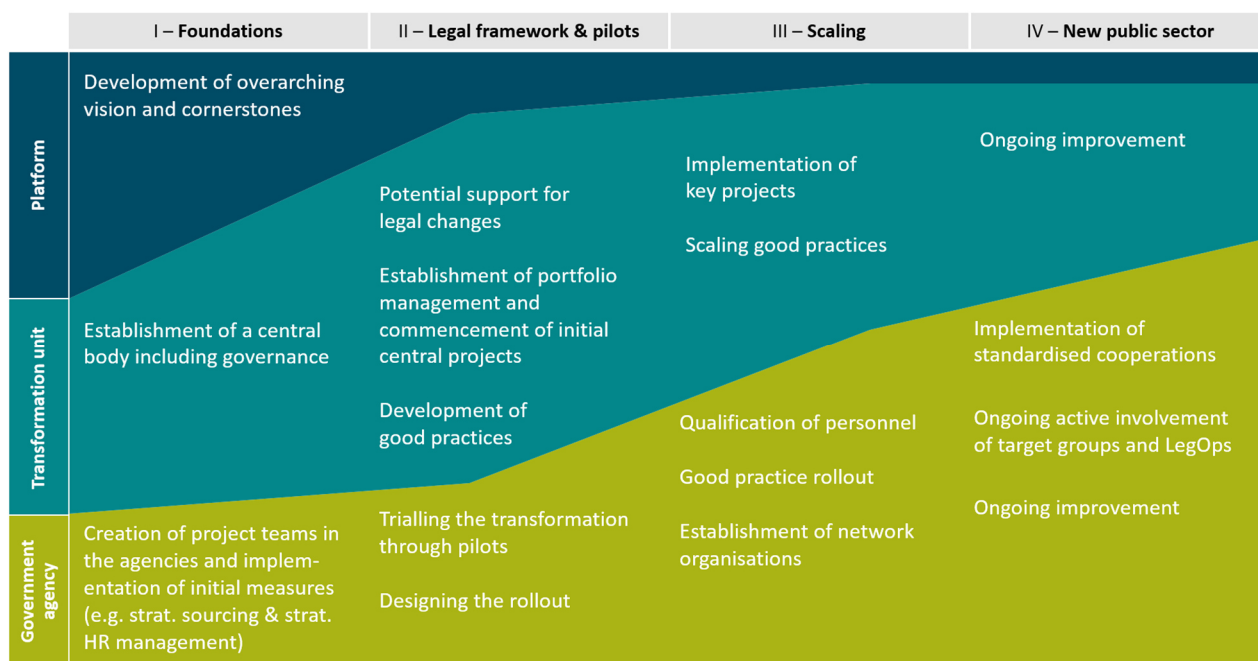


Figure 12: Implementation phases

The **first phase** will involve developing the overarching vision for the public sector of tomorrow. Concurrently, the central transformation unit, the network for the federal state chancelleries, will be set up and the governance of the federal steering committee will be established. At the level of the authorities, initial measures (e.g. introduction of a strategic HR management, development of strategic sourcing, introduction of impact management) may be initiated.

The **second phase** is dedicated to deriving measures, developing concepts, and running pilots. This is also when the transformation unit will derive the first relevant measures from the overarching vision and implement them. At the same time, the authorities will start piloting concepts such as measures for modernising central and control departments.

The **third phase** is dedicated to the transformation's full-scale implementation. Established methods and models as well as findings from failed approaches will be made available centrally and scaled across the entire public sector. These will include, among other things, critical task analyses, targeted and more efficient resource use, automation, and the centralisation of IT services. This is also when decentralised network organisations will be introduced and personnel structures will be adapted.

The fourth and **final phase** will comprise completing the transformation programme and striving for ongoing improvement. At this stage, it would be standard for individual authorities to rely on cooperation and to utilise the involvement of relevant stakeholders on an ongoing basis. This phase would also involve regular reviews for identifying needs for further development and the implementation of relevant changes.

5 PD – Berater der öffentlichen Hand GmbH – Our contribution to a sustainable public administration

We, PD – Berater der öffentlichen Hand GmbH, are **part of and owned by the German state**. Our job is to empower our owners. We combine strategic expertise with in-depth knowledge of the specific processes and structures of the administration. On this basis, PD offers **consulting and management services for all matters concerning modern public administration** and infrastructure. All of PD's services are designed to help public institutions to achieve their objectives effectively and economically. Its excellence has recently been recognised through its selection as the 2024/2025 **“Hidden Champion”** of the public sector consulting market.

PD **only works for public clients** as defined by Section 99 GWB (German Act Against Restraints of Competition). The company fulfils the requirements of Section 108 (4) and (5) GWB, which means in particular that it is subject to the joint control of its shareholders. PD does not have any private shareholders. As a result, PD can be commissioned by its shareholders **without any formal tendering procedures**.

As an in-house consultancy, PD sees itself **as an intermediary** for the public sector:

1. **Putting impact centre-stage:** PD's primary interest is to help its clients succeed. We operate economically, but not with a view to maximising profits. We act as a trusted advisor to the public administration in a politically neutral, independent and sustainable manner.
2. **(Re-)Utilising knowledge:** PD has knowledge of proven solutions and is able to transfer them. Our advice is based on “good examples” from all federal levels. PD acts as a cross-disciplinary thought leader, knowledge broker and moderator.
3. **Lasting empowerment:** PD strengthens its clients' ability to act and their sustainability so that they can implement their projects more effectively. We enable our clients to implement and continue measures independently with the help of internal capacities after our consulting relationship has ended.
4. **Shareholders as knowledge resource:** Thanks to our shareholders, PD has a comprehensive network of public administration resources – and access to specific expertise, which we widely share. PD strongly focuses on impact and acts as a modernisation consultant and acceleration agency.

PD – Berater der öffentlichen Hand GmbH is an in-house consultancy for the public sector and offers comprehensive project-related consulting and management services for federal, state and local authorities and other public clients on all issues relating to modern administration and investment projects. PD mainly advises on strategic, organisational and investment projects, provides support for managing major projects and procurement procedures. PD is 100 percent owned by public shareholders.

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Annex

Table of figures

Figure 1: Public sector maturity levels	7
Figure 2: Development of federal, state and municipal government employment by 2040	9
Figure 3: Optimistic and pessimistic fiscal balance baselines	10
Figure 4: Overarching vision of the public sector of tomorrow	12
Figure 5: The four areas of reform for achieving this overarching vision	15
Figure 6: The first area of reform for achieving the overarching vision	18
Figure 7: The second area of reform for achieving the overarching vision	21
Figure 8: The third area of reform for achieving the overarching vision	24
Figure 9: The fourth area of reform for achieving the overarching vision	27
Figure 10: Summary of the reform areas	28
Figure 11: Diagram showing the structure of the transformation	29
Figure 12: Implementation phases	34

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