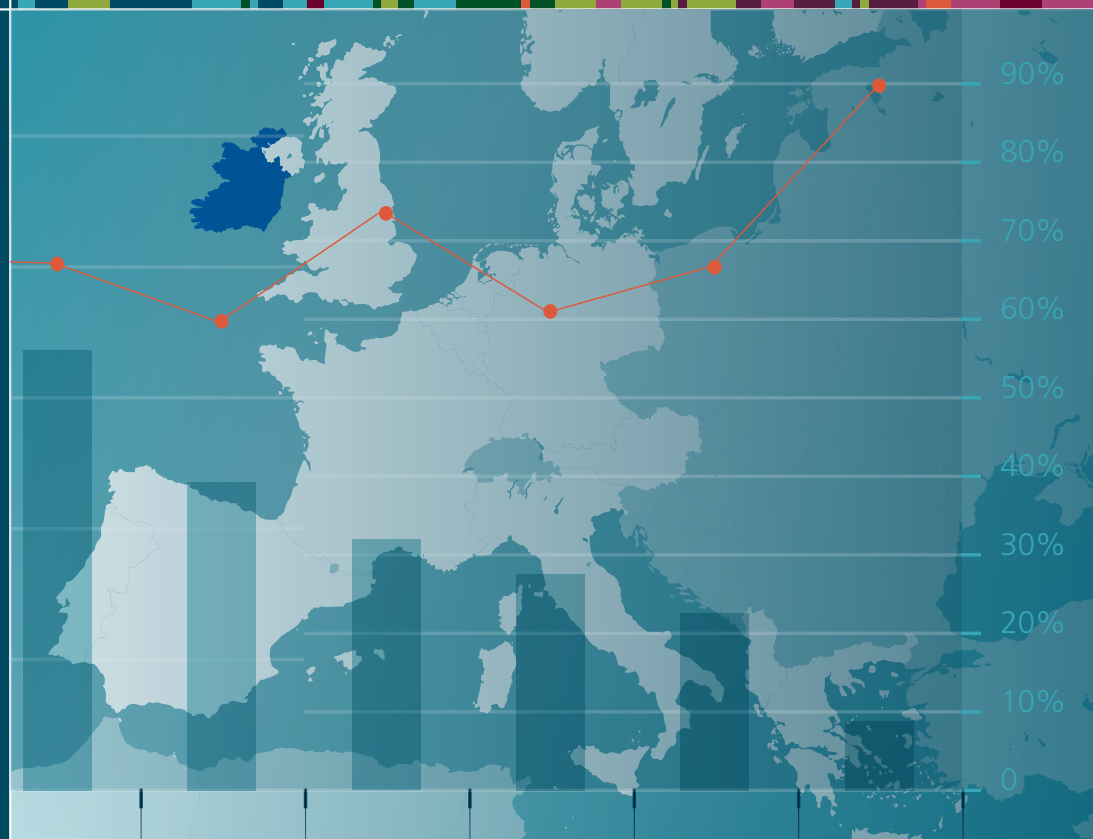


Research Paper N°2

Public Sector Trends 2010

Richard Boyle



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State of the Public Service Series
November 2010



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Foreword

In the State of the Public Service research series, we seek to provide evidence-informed research and commentary on key aspects of contemporary Irish public administration, including its organisational form, systems, people and processes. The authors of these reports bring their considerable expertise and practical knowledge to the topics selected so as to provide evidence, insights and recommendations to support future development. Our aim is that these reports will not only inform, but also challenge current thinking about how the Irish public service performs. It is intended that these short research reports will be of relevance and use not only to public servants, but also to policy-makers and the wider public.

This report examines trends in public sector development over the last decade. The debate on Ireland's public sector and public administration, and its role in Irish society, is one that generates much passion. But there is often a dearth of evidence brought to bear on the debate. On the one side are those who feel we have a 'bloated' public sector and who emphasise the need to cut back and 'rein in' public services. On the other side are those who extol the virtues of the services provided to the public and the benefits that many people receive from public services on a day-to-day basis.

Here we try to bring some evidence to bear on the important debate on the future shape of the public sector. Using data gathered from a number of sources, information on the size and cost of the public sector, the quality of public administration, efficiency and performance, and levels of trust and confidence is presented in a simple but rigorous manner.



Brian Cawley

Director-General

Main Findings

The size and cost of the public sector

- Historically, Ireland has been seen to have a relatively small public sector. However, in 2008 and 2009, as gross domestic product (GDP) shrank rapidly, Ireland's government expenditure as a percentage of GDP increased rapidly to around average for the EU27 countries. When GNI¹ (gross national income) rather than GDP is used, Ireland's public spending has historically been around the European average, but with changes in the last couple of years now ranks as one of the largest in Europe.
- Public expenditure per head of population is growing faster than the EU average.
- The total number of people employed in the public sector has grown rapidly from around 295,000 in 2000 to 347,000 in 2010, a growth of 18 per cent. The health and education sectors account for the vast majority and a growing proportion of public sector jobs. However, there has been a 3 per cent reduction in numbers employed in the public sector between 2008 and 2010.
- While numbers employed in the public sector have risen, as a proportion of the total workforce they have stayed relatively constant at between 16 and 19 per cent. Public service employment has remained between 14 to 17 per cent of total employment.
- Equivalent figures for other countries are difficult to obtain. But an OECD (2009) study showed that in 2005 in Ireland employment in general government as a percentage of the labour force (15 per cent) was around the OECD average.
- There has been widespread coverage of the growth in the number of agencies and the need for cutbacks. But those employed in non-commercial state agencies only account for 4 per cent of the public service workforce and 4 per cent of the Exchequer pay bill, so even with rationalisation the impact of cutbacks will be minimal when put in the context of the public sector as a whole.
- The Exchequer pay and pensions bill more than doubled from €8.632bn in 2000 to €18.753bn in 2008. But from 2008 to 2010, as the cutbacks in numbers and pay introduced by the Government have taken effect, the Exchequer pay and pensions bill has decreased in all sectors, most rapidly proportionately in the civil service and security sectors.
- The health and education sectors account for the vast majority of the Exchequer pay bill. In 2010, the health pay bill (€6.507bn) was 43.1 per cent of the total and the education pay bill (€4.877bn) accounted for 32.3 per cent of the total.

The quality of public administration

- Surveys of business executives show that the quality of Ireland's public administration is seen as slightly above the European average. In Ireland traditional public service values such as independence from political interference, freedom from bribery and corruption, and reliability and administrative fairness is seen to be around the EU15 average, but is seen to have declined from 2000 to 2010. Ireland's public administration is seen as relatively good in encouraging competition and providing a supportive regulatory environment.
- In World Bank assessments, Ireland's government effectiveness score has been slightly above the EU15 average since 2005. And Ireland's regulatory quality indicator is well above the European average.²

¹ Gross National Income (GNI) is equal to Gross National Product (GNP) plus EU subsidies less EU taxes. The relationship between GDP and GNI in Ireland is unusual among EU countries, with Luxembourg the only other country where the difference between the two measures is more than 10 per cent of GDP. The gap reflects the magnitude of repatriated profits from Ireland that inflates the GDP figure.

² Data on these World Bank indicators runs up to 2008 and pre-dates the regulatory problems identified in the financial sector.

Public service efficiency and performance

- On average, government departments fully met about two-thirds of their self-determined output targets in 2009. The quality of output targets was generally poor, with many targets lacking specificity.
- Overall, Ireland does relatively well amongst EU countries against World Bank indicators that assess the impact of public administration on the ability of companies to do business. The efficiency of the tax regime comes out particularly strongly.
- In terms of high-level sectoral outcomes, Ireland scores relatively well in terms of educational attainment but the competitive advantage of our education system is perceived to be declining. In health, life expectancy and infant mortality are around the European average.

Trust and confidence in public administration

- Trust in government and parliament has fallen rapidly compared to European norms since 2008. In spring 2010, Ireland expressed the third lowest level of trust in government of any of the EU15 (21 per cent), and the second lowest level of trust in parliament (22 per cent).
- But the Irish public have a high level of confidence in the civil service with 62 per cent saying they had a great deal or a lot of confidence in the civil service in 2008, fourth highest in Europe. Levels of confidence in the education system are also above European average.
- There has been a worrying fall in confidence in the health system which dropped dramatically from 1999 to 2008, with those expressing a great deal or quite a lot of confidence in the health system falling to 31 per cent. This compares to confidence in the health system in most of the rest of Europe remaining relatively stable. The level of confidence expressed in the Irish health system was the second lowest in Europe.

Some key conclusions

- The growth in public spending (both as a percentage of GDP/GNI and in terms of public expenditure per head) is not sustainable. This raises fundamental questions about what services the state should provide through public services. There is a consequent need for more information on the costs and benefits of expenditure programmes to inform decisions on where best to focus state intervention.
- Numbers employed in the public sector, as a percentage of total employment, are not excessive by European standards. Growth in numbers has primarily been concentrated in the health and education sectors.
- There are signs that the control of the Exchequer pay and pensions bill is leading to a reversal of the increases which took place in the early to mid 2000s.
- The health and education sectors account for just under 70 per cent of public service employment and 75 per cent of the Exchequer pay bill between them. Clearly, any attempts to reform the public sector from a financial perspective must focus on these areas. Even if all non-commercial agencies were abolished and their staff let go, obviously an untenable position, this would only reduce the Exchequer pay bill by around 4 per cent.
- The decline in the perception of the upholding of 'traditional' public service values such as independence from political interference, freedom from bribery and corruption, and reliability and administrative fairness is of concern. As is the fall in confidence and trust in the government, parliament and the health system. Clearly articulating and acting on public service values is going to be an increasingly important role for leadership in the public service.
- The absence of hard data on productivity and performance is an ongoing concern for the public service. There are particular challenges, but the fact that we tend to have generally poor output targets is one indicator that there is significant room for improvement here. Output statements need to be transformed into performance statements that are a real reflection of performance and productivity.

Introduction

In Budget 1995, the then Minister for Finance, Ruairi Quinn T.D. set a goal that by 2010 Ireland would 'possess the most effective public administration in the European Union'. Looking back now from the vantage point of 2010, it is interesting to see how far we have got in achieving that goal. Of course there are great difficulties in coming up with an 'answer' to the question as whether or not we have the best public administration. Not least is how we define 'best'. There are no clear or agreed definitions for comparative ranking of public administrations. But most people would agree that a number of elements would need to be included in any assessment:

- ***The size and cost of the public sector.***
While size and cost alone are not the sole or even main determinants of good public administration, nevertheless in terms of value for money in the delivery of public services, keeping check on the size and cost of the public sector and public service is an important consideration.
- ***The quality of public administration.***
Public administration includes policy making, policy legislation and management of the public sector. Such dimensions of public administration can only be measured by subjective indicators of quality which give a sense of how good the public administration is.
- ***Public service efficiency and performance.***
There is an onus on public administration, all the more so in times of financial stringency, to show that services are being provided efficiently and that performance is of the highest standard. The delivery of social and economic outcomes in an efficient manner is central to an effective public administration.
- ***Trust and confidence in public administration.***
The general public ultimately must have trust and confidence in the public administration of a country if it is to be effective.

In this study we examine indicators for each of these four elements of public administration. Where possible and appropriate, data is included for other European countries, to enable comparisons to be made. Also, where data is available, we have provided trend data going back over the last decade. The intention is to provide a snapshot of trends in public administration performance in Ireland, to highlight where we are doing well and what challenges are presented and where improvements need to be made.

In its style and content, the report draws on a number of efforts to benchmark and compare public sector efficiency and performance in recent years. These include a European Central Bank (ECB) international comparison of public sector efficiency³, a study by the Netherlands Social and Cultural Planning Office (SCP) of comparative public sector performance⁴, the World Bank governance indicators project⁵, the OECD Government at a Glance project⁶, and an IPA study comparing public administrations.⁷

³ Afonso et al (2003)

⁴ Social Cultural and Planning Office (2004)

⁵ See www.worldbank.org/wbi/governance

⁶ See http://www.oecd.org/document/12/0,3343,en_2649_33735_37688524_1_1_1_1_00.html

⁷ Boyle (2007)

A word of caution about data limitations

The data presented here needs to be interpreted with great care. First, there is the issue of whether the indicators used to represent public administration provision and quality really captures what public service is about. Indicators, by their nature, only give a partial picture. Second, much of the international comparative data in this report is qualitative data derived from executive opinion surveys. This survey data comprises small-scale samples of opinion from managers and experts in the business community. The survey data is thus limited both in terms of its overall reliability and the fact that it represents the views of one section of the community (business) only. Third, the point scores arrived at on some indicators (on a scale from 1–10 for the IMD and WEF data and between –2.5 and +2.5 for the World Bank governance indicators) should not be interpreted too strictly, as there are margins of error associated with these estimates. Fourth, changes over time should be viewed cautiously. Many of the indicators assessed represent 'snapshots' at one particular point in time. Small shifts in annual ranking are not particularly meaningful.

In all, when interpreting the findings set out in this paper, these limitations should be borne in mind. In particular, small variations in scores should be interpreted cautiously. These may be no more than random variations to be expected given the data being used. What is of interest is to identify broad patterns emerging from the data.

The size and cost of the public sector

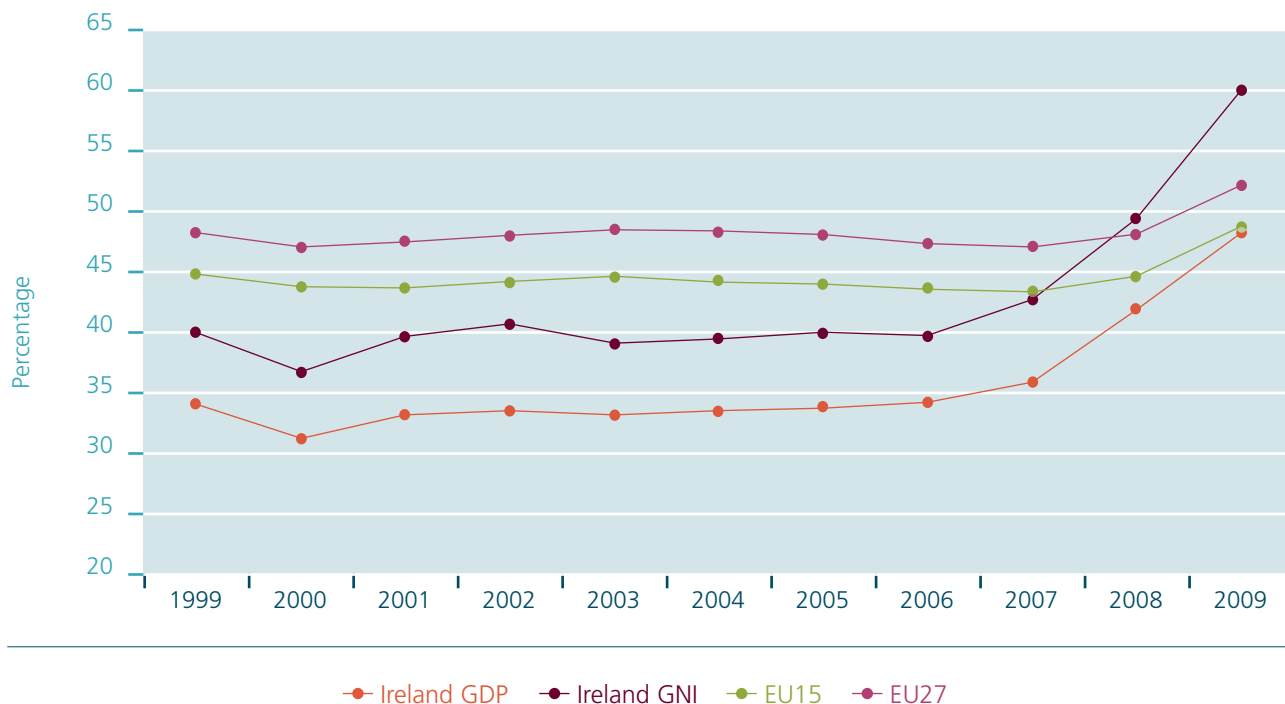
There are a range of indicators that show the size and cost of the public sector and public service.⁸ Government expenditure as a share of GDP/GNI, level of public expenditure per head of population and public sector employment trends all give a sense of size. The cost of the public sector is shown by data on the Exchequer pay and pensions bill.

⁸ In this study, the public service is defined as the public sector minus the commercial state-sponsored bodies.

Public expenditure as a share of the economy in Ireland is growing both absolutely and when compared to the rest of Europe

Figure 1 General government expenditure as share of GDP/GNI

Source: CSO; Eurostat



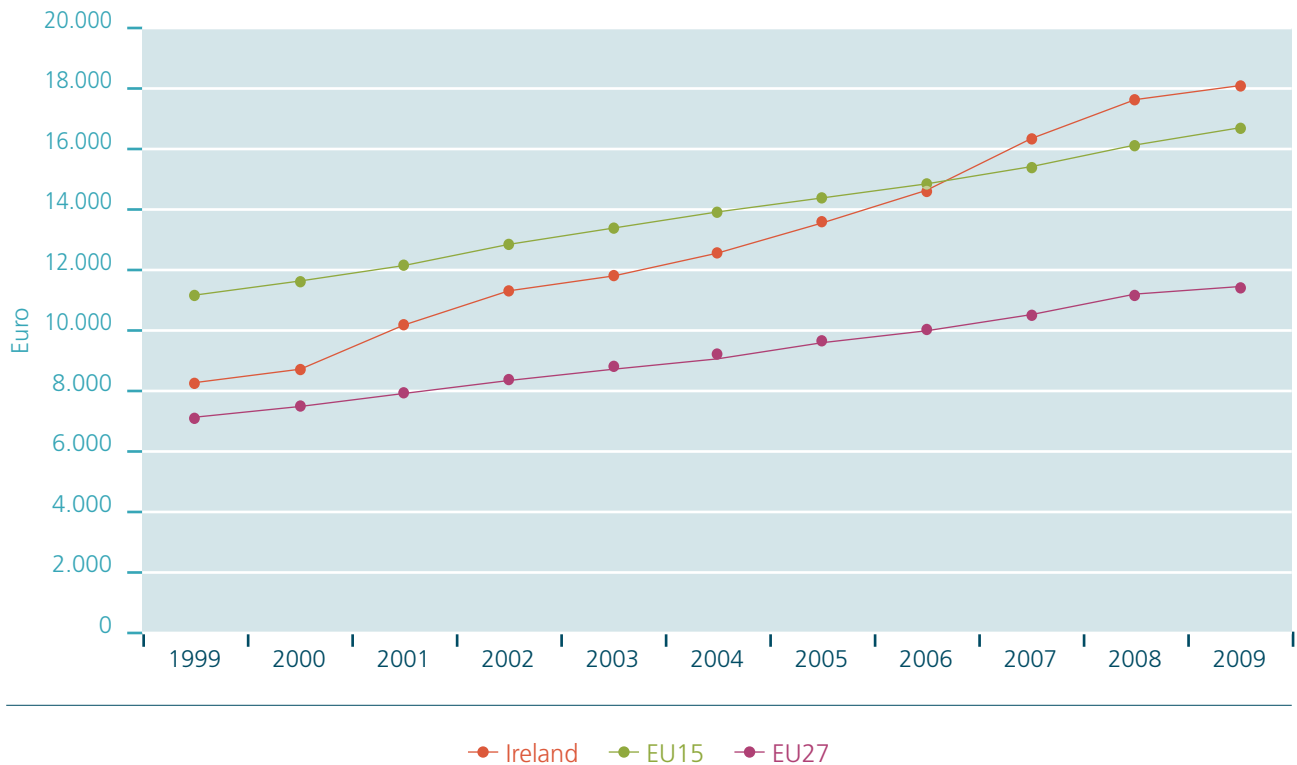
- A commonly used indicator of public spending in the economy is expenditure as a percentage of GDP (gross domestic product). Historically, using this indicator, Ireland is shown as having a very small share of public spending compared to most EU countries.
- However, in 2008 and 2009, as GDP shrank rapidly in Ireland and government expenditure as a percentage rose, Ireland's government expenditure as a percentage of GDP increased rapidly to around average for the EU27 countries, though still a little below the EU15 average. On this indicator, in 2009 Ireland is ranked thirteenth in the EU.
- An alternative indicator to assess the comparative size of Ireland's public spending is to use GNI (gross national income) rather than GDP, as GNI does not include repatriated profits from Ireland which inflate the GDP figure.⁹ Using this GNI indicator, the size of the public sector was still below the EU average up to 2007, but has been above the EU average in 2008 and 2009. In 2009, government expenditure as a percentage of GNI was at 60 per cent, making Ireland second highest after Finland.

⁹ See for example Foley (2009), pp.75-76

Public expenditure per head of population is growing faster than the EU average

Figure 2 General government expenditure per head of population

Source: Eurostat

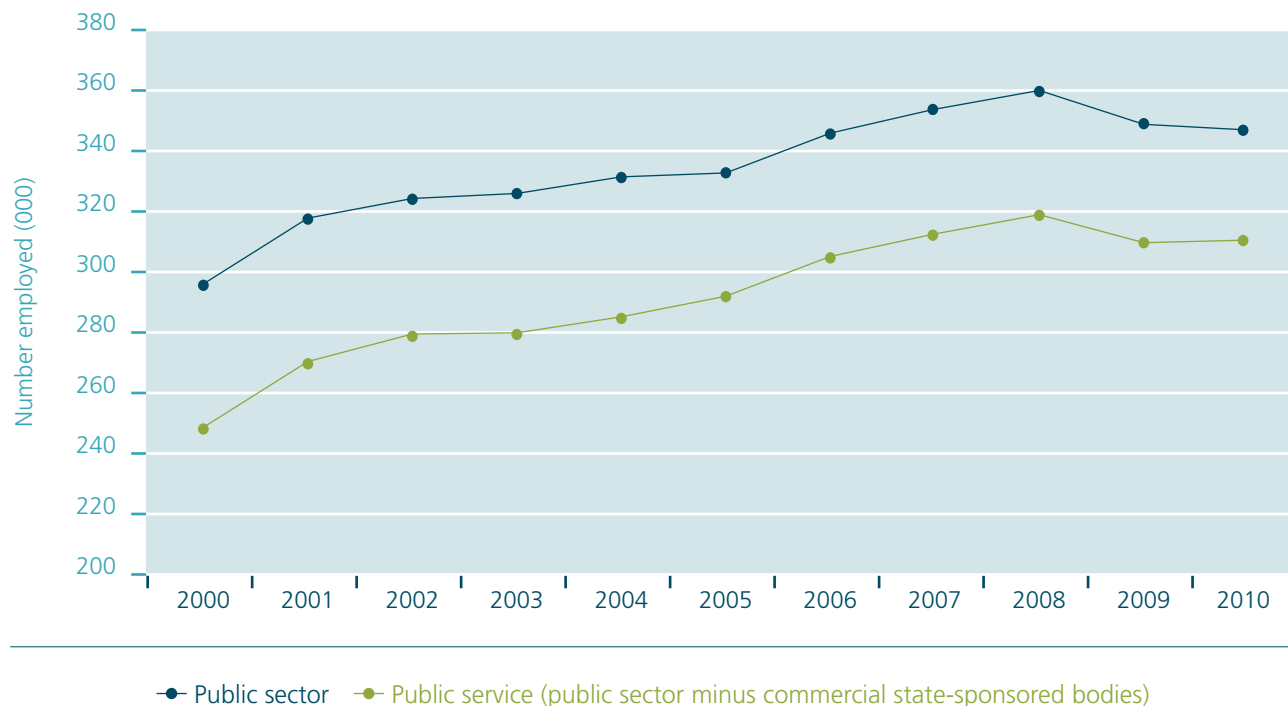


- An alternative way of looking at the relative size of public spending is to examine government expenditure per head of population.
- Up to 2006, Ireland's public expenditure per person was below the EU15 average (but above the EU27 average). From 2007 onwards public expenditure per person is above the EU average. Ireland is ranked fifth highest in the EU in terms of public expenditure per person, with only Luxembourg, Denmark, Finland and the Netherlands having higher levels in 2009.

Numbers employed in the public sector have grown rapidly in the last decade

Figure 3 Numbers employed in the public sector and public service

Source: Department of Finance, Budgetary and Economic Statistics



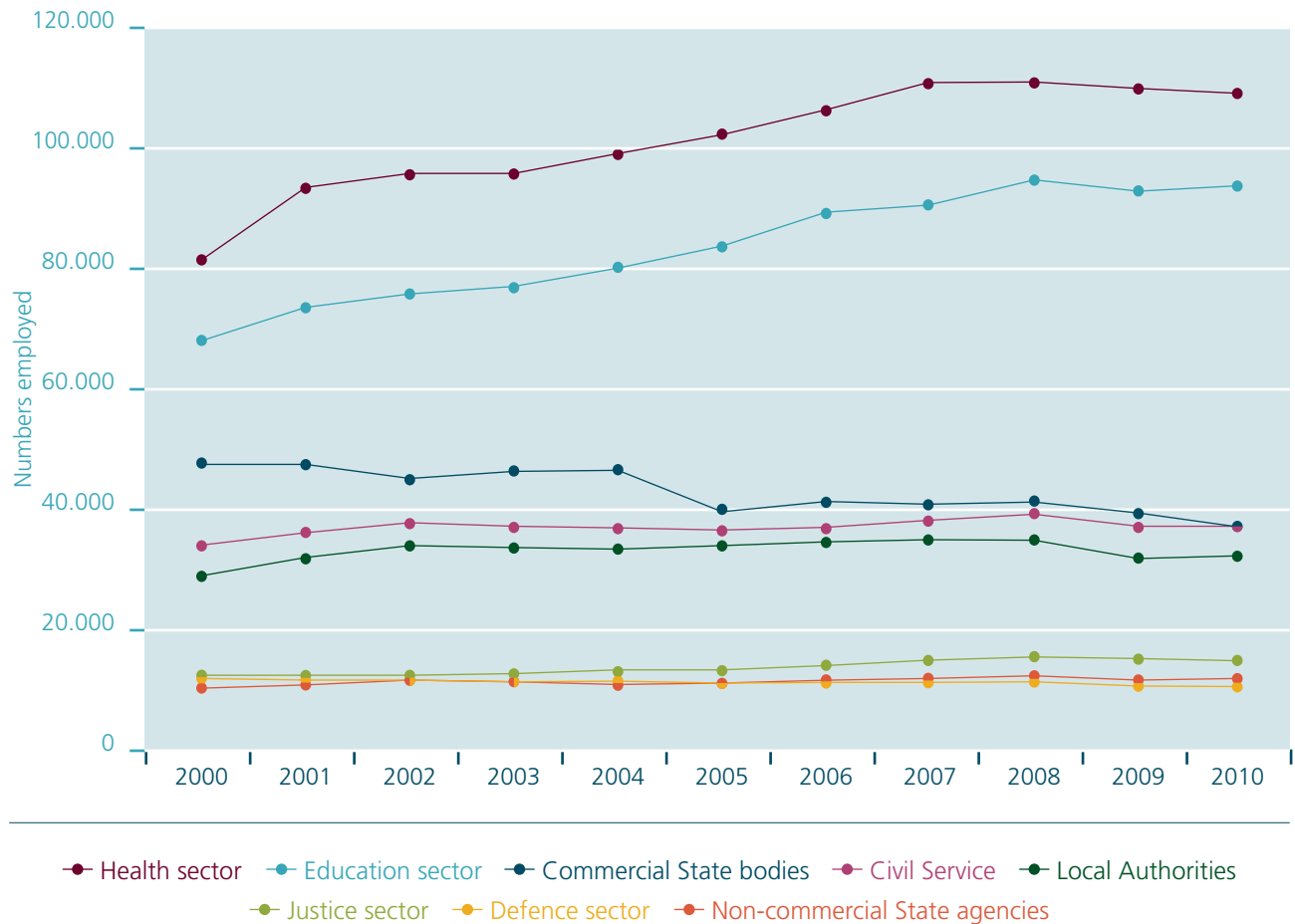
- As public spending has grown, so too have numbers employed in the public sector. The total number of people employed in the public sector has grown from around 295,000 in 2000 to 347,000 in 2010, a growth of 18 per cent.
- Excluding commercial state-sponsored bodies, the numbers employed in the public service have grown from 247,000 in 2000 to 310,000 in 2010, a growth of 26 per cent.
- There was a significant drop in the numbers employed in the public sector and public service between 2008 and 2009, with a drop of around 3 per cent in each case. Numbers remained roughly constant in 2010 compared to 2009.¹⁰

¹⁰ It should be noted that 2010 figures are estimates, so the final figure may be slightly different

The health and education sectors account for the vast majority and a growing proportion of public sector jobs

Figure 4 Public sector employment by sector

Source: Department of Finance, Budgetary and Economic Statistics

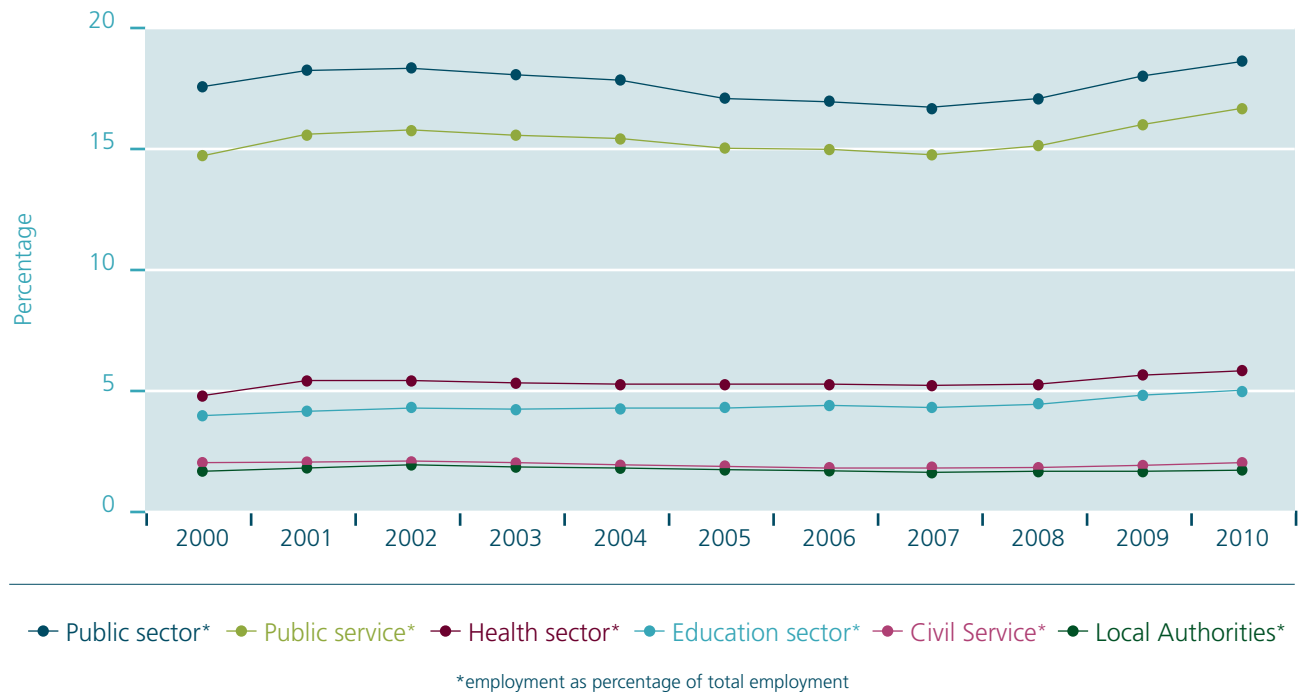


- Growth in public sector numbers in the last decade has been primarily concentrated in the health and education sectors. In 2010, 109,000 were employed in the health sector and 94,000 in the education sector, accounting for 35 per cent and 30 per cent of total public service employment (excluding the commercial state-sponsored sector) respectively.
- Two out of every three people employed in the public service work in either health or education.
- Numbers employed have also risen in the civil service, local authorities, the justice sector, and non-commercial state-sponsored agencies.
- Contrary to the general trend, the defence sector and commercial state bodies sector have seen numbers employed fall between 2000 and 2010.
- There has been widespread coverage of the growth in the number of agencies. But those employed in non-commercial state-sponsored bodies only account for 4 per cent of the public service workforce.

While numbers employed in the public sector have risen, as a proportion of the total workforce they have stayed relatively constant

Figure 5 Public sector employment as percentage of total employment

Source: Department of Finance, Budgetary and Economic Statistics ; CSO



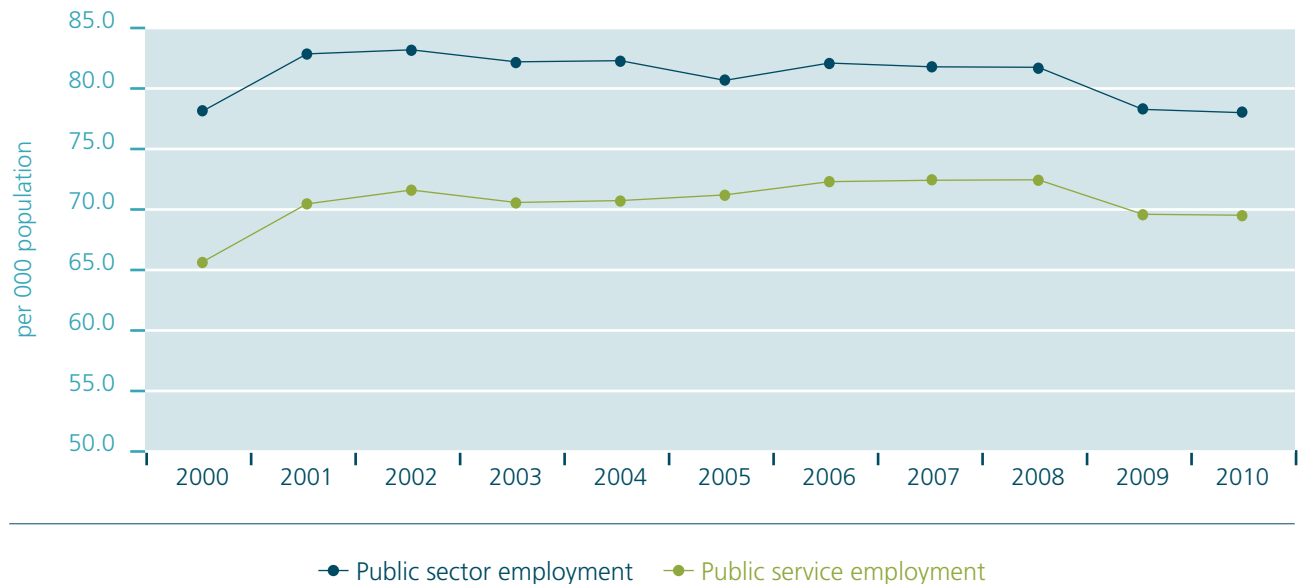
- Public sector employment as a percentage of total employment has remained fairly steady at between 16 and 19 per cent. Excluding the commercial state bodies, public service employment has remained between 14 to 17 per cent of total employment.¹¹
- The growth in total employment in the economy led to a relative fall in the proportion working in the public sector between 2003 and 2007. However, the downturn in the economy and the relative security of public sector jobs has seen an increase in public sector share of the workforce from 2008 to 2010. 19 per cent of the workforce was made up of public sector workers in 2010.
- Around 6 per cent of all those in employment in the economy (public and private) are employed in the health sector, and 5 per cent in education. 2 per cent of those in employment are civil servants, and just under 2 per cent are in local authorities.
- Equivalent figures for other countries are difficult to obtain. But an OECD (2009) study showed that in 2005 employment in general government as a percentage of the labour force in Ireland (15 per cent) was around the OECD average.

¹¹ Much of the public service data provided refers to full-time equivalents rather than actual numbers of people. So public sector and public service employment as a percentage of total employment is in reality larger than that reported. The size of the difference is unknown, though Foley (2009, p.86) estimated it at around 1 per cent in 2007.

Public sector employment has kept pace with population changes in recent years

Figure 6 Public sector and public service employment per 000 population

Source: Department of Finance, Budgetary and Economic Statistics ; CSO

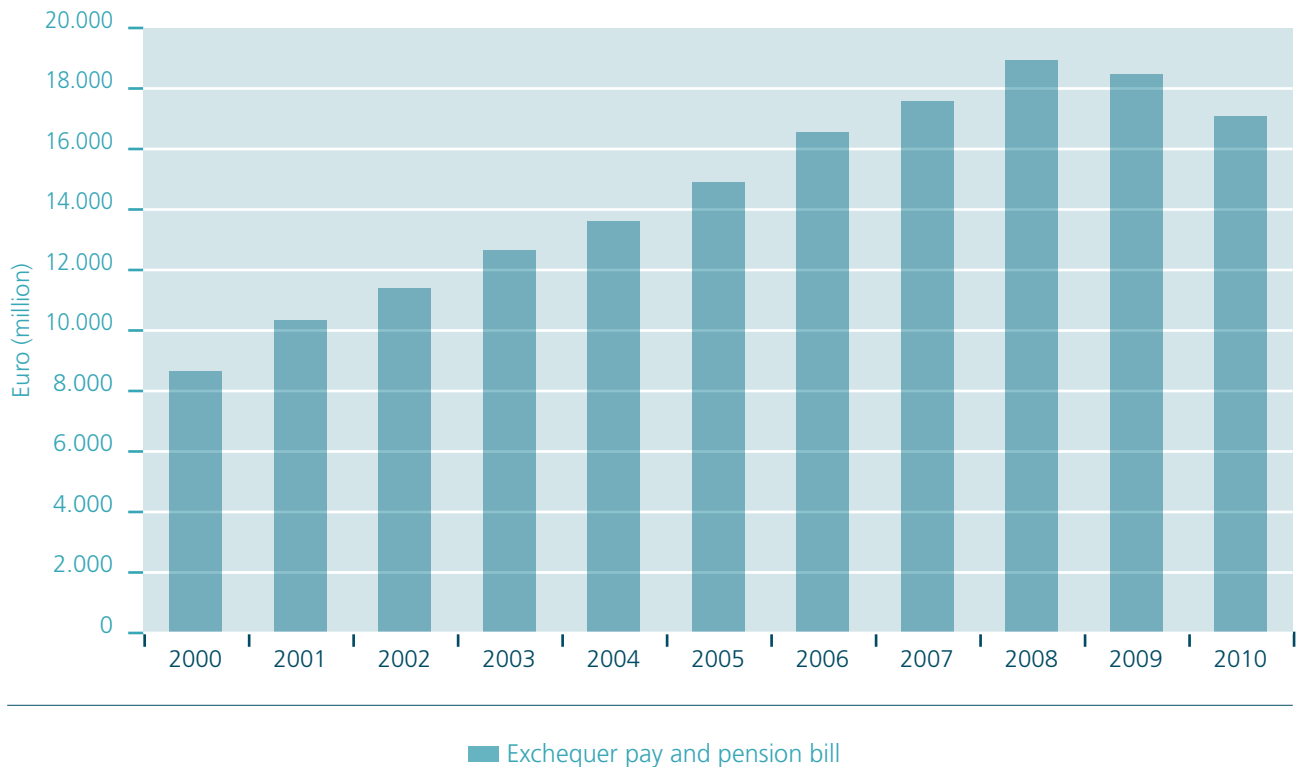


- Public sector employment relative to the population grew up to 2002, but since then has stabilised at around 80 public sector employees per 000 population, with a drop in 2009 and 2010 to around 78 public sector employees per 000 population.
- Public service employment is around 70 public servants per 000 population, up from 66 per 000 in 2000.
- An OECD (2010) study comparing 8 countries (the UK, Denmark, Sweden, Finland, Canada, Ireland, the Netherlands and New Zealand) showed that Ireland had the third lowest general government employment per 000 population (67) in 2006, and significantly behind Denmark (137), Sweden (125) and Finland (99).

The rapid increase in the Exchequer pay and pensions bill has been halted and reversed in the last couple of years

Figure 7 Exchequer pay and pension bill

Source: Department of Finance, Analysis of Exchequer Pay and Pensions Bill



- The Exchequer pay and pensions bill more than doubled from €8.632bn in 2000 to €18.753bn in 2008.
- From 2008 to 2010, as the cutbacks in numbers and pay introduced by the Government have taken effect, the Exchequer pay and pensions bill has decreased from its high of €18.753bn to €17.327bn. The pay and pensions bill has decreased in all sectors, most rapidly proportionately in the civil service and security sectors.

Exchequer pay and pensions as a percentage of GDP/GNP has risen

Figure 8 Exchequer Pay and Pensions Bill as Percentage of GDP/GNP

Source: Department of Finance, Analysis of Exchequer Pay and Pensions Bill

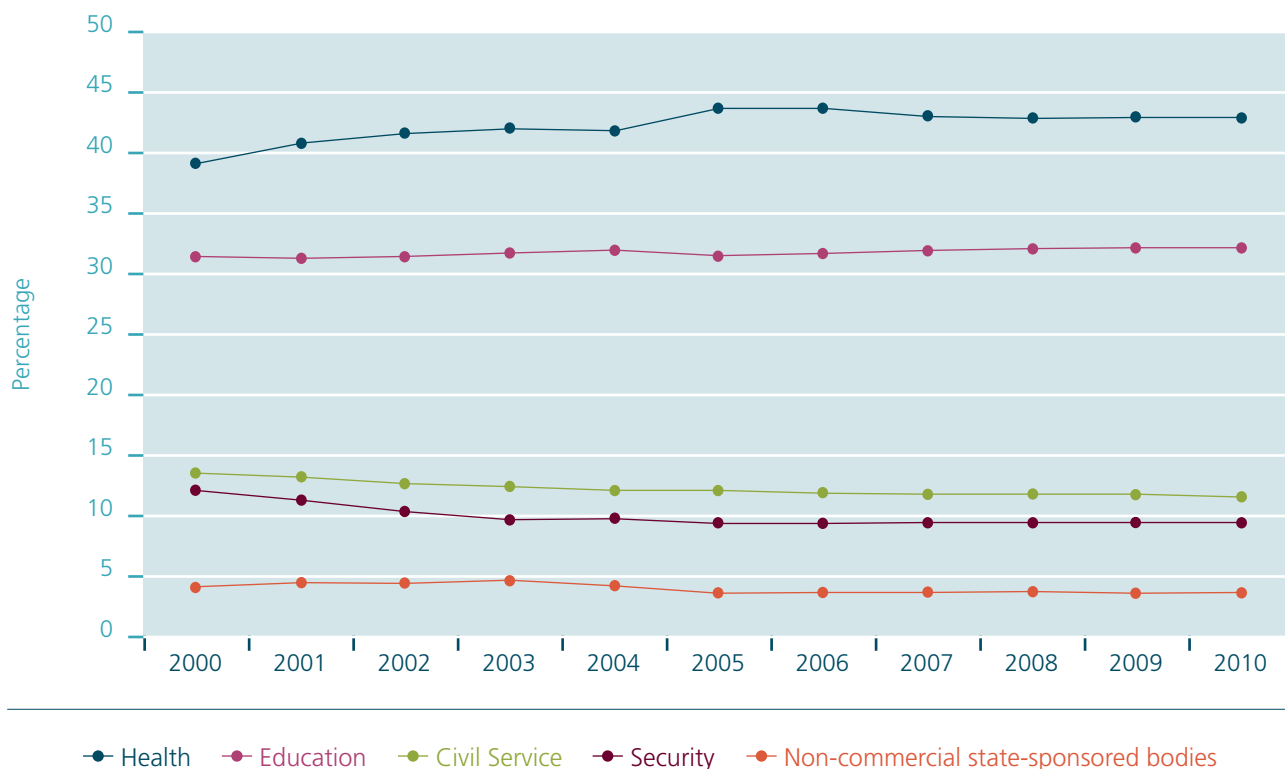


- Up to 2007, despite the increase in the Exchequer pay and pensions bill, as a percentage of GDP and GNP it had held relatively steady, at around 9 per cent of GDP and 10 to 11 per cent of GNP.
- In 2008 and 2009, as the recession hit, the percentage of GDP and GNP taken up by the Exchequer pay and pensions bill rose rapidly. In 2009, the Exchequer pay and pensions bill accounted for 11.6 per cent of GDP and 14.1 per cent of GNP.
- The effects of the cutbacks in numbers and pay rates introduced in 2009 and 2010 have had an impact, with a fall back in the percentage of GDP (10.8 per cent) and GNP (13.4 per cent) taken up by the Exchequer pay and pensions bill in 2010.

The health and education sectors account for an increasing share of the Exchequer pay bill

Figure 9 Sectoral share of Exchequer pay bill

Source: Department of Finance, Analysis of Exchequer Pay and Pensions Bill



- The health and education sectors account for the vast majority of the Exchequer pay bill. In 2010, the health pay bill (€6.507bn) was 43.1 per cent of the total and the education pay bill (€4.877bn) 32.3 per cent of the total.
- Health and education have taken an increasing share of the Exchequer pay bill. The health share of the Exchequer pay bill rose from 38.1 per cent in 2000 to 43.1 per cent in 2010. The education share of the Exchequer pay bill rose less rapidly from 31.4 per cent in 2000 to 32.3 per cent in 2010.
- Conversely, the civil service and security share of the Exchequer pay bill has fallen; the civil service from 14.2 per cent in 2000 to 11.7 per cent in 2010 and the security sector from 12.7 per cent in 2000 to 9.4 per cent in 2010.
- The non-commercial state-sponsored bodies share of the Exchequer pay bill has remained relatively constant over the period, averaging just under 4 per cent.

The quality of public administration

At the IPA we have developed a quality of public administration indicator, taking further the work undertaken by the Netherlands Social and Cultural Planning Office (SCP, 2004). We also have developed two subsets of this indicator, one of which shows trends in perception about the application of traditional public service values in public administration, the other showing perceptions of the type of competitive and regulatory regime fostered by public administration.

These indicators are supplemented by World Bank indicators of government effectiveness and regulatory quality, developed as part of the World Bank's brief to promote good governance.

The quality of public administration is seen as slightly above the European average

Figure 10 Quality of public administration score 2000–2010

Source: IPA analysis based on IMD World Competitiveness Yearbook and WEF Global Competitiveness Report

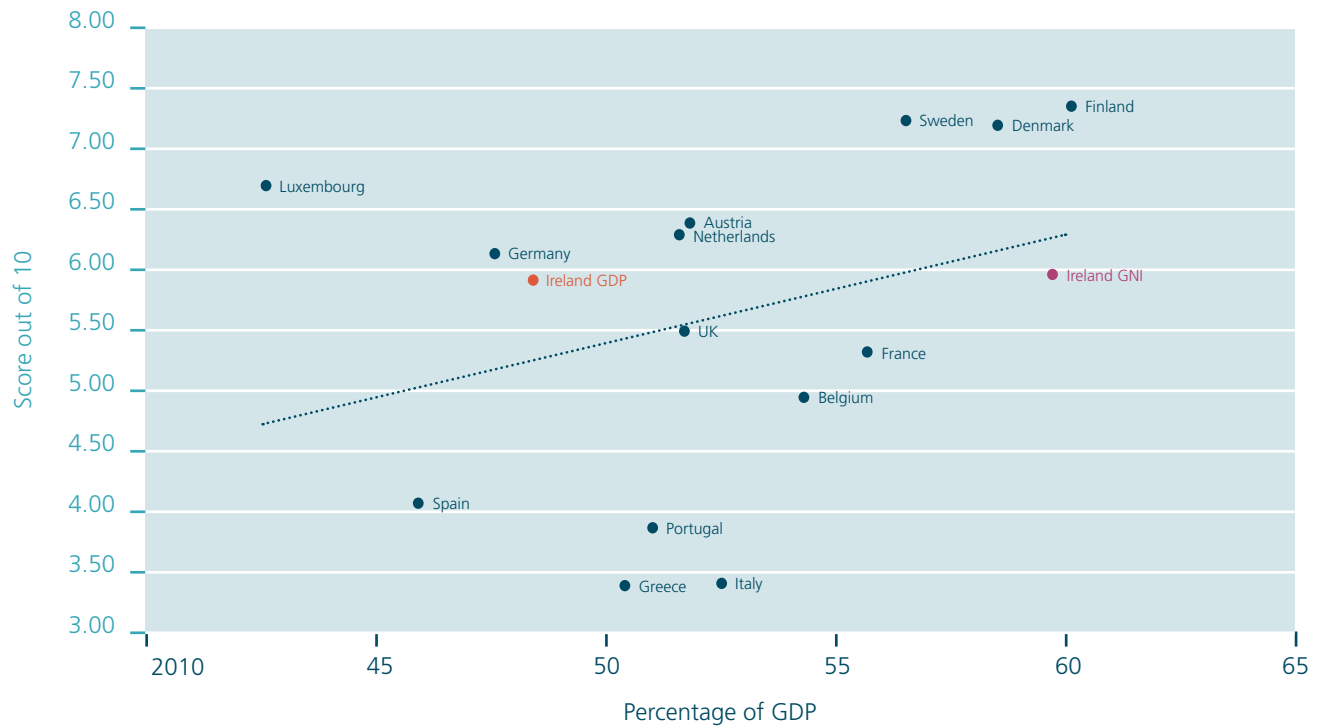


- This indicator builds on work undertaken by the Social and Cultural Planning Office (2004) in the Netherlands and taken further by Boyle (2007). Sixteen indicators derived from both IMD and WEF executive opinion surveys are combined to make up an aggregate public administration quality indicator (see Appendix 1 for details).
- For most of the decade, Ireland's ranking has been slightly above the EU15 average, and well above the EU27 average. The Nordic countries lead the way, with Finland, Denmark and Sweden being the top three ranked in 2010.

Quality of public administration ratings are only weakly related to expenditure on public services

Figure 11 Quality of public administration score (2010) and Percentage of GDP spent on General Government Expenditure (2009)

Source: IPA analysis based on IMD World Competitiveness Yearbook, WEF Global Competitiveness Report, Eurostat and CSO



- Relating government expenditure to the subjective quality of public administration score gives a sense of whether there is any correlation between public administration quality and government expenditure on public services. Overall, there is a weak but positive relationship between expenditure and quality of public administration.
- Ideally countries would like to be towards the top left quadrant of the figure, where the quality of public administration ranking is high and general government expenditure as a percentage of GDP is low.¹²
- Ireland rates relatively well, having a reasonably high quality score (sixth out of the EU15) and a relatively low level of government expenditure (fourth out of the EU15).
- However, the picture changes significantly when general government expenditure as a percentage of GNI is used for Ireland. Ireland now appears as one of the highest spenders, but with a lower quality score than other high spenders Finland, Denmark and Sweden.

¹² Luxembourg is the only other EU15 country apart from Ireland where there is a very large difference between GDP and GNI (GNI was 79 per cent of GDP in 2008). If re-scored for GNI Luxembourg would shift significantly to the right on the chart.

Irish maintenance of traditional public service values is seen to be around the EU15 average, but is seen to have declined from 2000 to 2010

Figure 12 Traditional public service values indicator (TPSVI)

Source: IPA analysis based on IMD World Competitiveness Yearbook and WEF Global Competitiveness Report

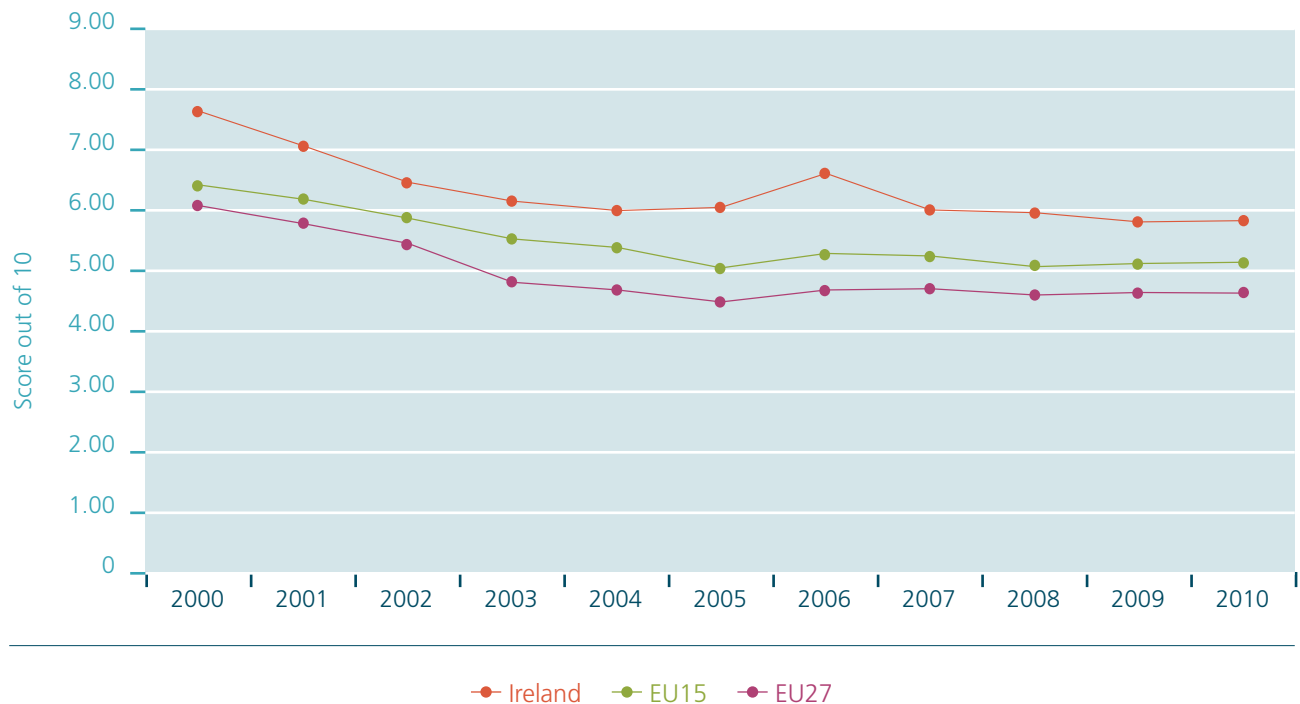


- A sub-set of the quality of public administration indicator can be used to assess what might be termed the 'traditional' public service values such as independence from political interference, freedom from bribery and corruption, transparency, reliability and administrative fairness and equity.
- Ireland's ranking on this traditional public service values indicator has generally been slightly higher than the EU15 average, and well above the EU27 average. The Nordic countries of Finland, Denmark and Sweden score highest on this indicator.
- Somewhat worryingly, there is evidence of the perception that maintenance of traditional public service values is declining, both in Ireland and the rest of Europe. Scores have gone down from 2000 to 2010, with the decline in the Irish score being more marked (from 7.2 and being ranked third of the EU15 in 2000 to 6.0 and being ranked eighth of the EU15).

Ireland's public administration is seen as relatively good in encouraging competition and providing a supportive regulatory environment

Figure 13 Competitiveness and regulation indicator (CRI)

Source: IPA analysis based on IMD World Competitiveness Yearbook and WEF Global Competitiveness Report



- A sub-set of the quality of public administration indicator can be used to assess issues of competitiveness and regulation, reflecting the growing importance in recent years of the regulatory role of public administration. There is an expectation that as part of a quality service, public servants will help ensure a legal and regulatory framework that encourages competition. And that they will scrutinise regulation intensity to ensure it does not become too great a burden on enterprises.
- Ireland's ranking on this competitiveness and regulation indicator is above the European average. In 2010, Ireland ranked sixth behind Finland, Denmark, Sweden, Austria and Luxembourg.
- Developing a public administration that encourages competition and where regulation is not too great a burden on enterprises is an important goal. But recent events in the banking sphere indicate the need for strong regulation. It must be remembered that this ranking is based on executive opinion surveys, where there would generally be an interest in less regulation.

In World Bank assessments, Ireland's government effectiveness score has been above the EU15 average since 2005

Figure 14 World Bank Government Effectiveness indicator

Source: World Bank Worldwide Governance Indicators



- Since 1996 the World Bank has been developing governance indicators as part of its work on promoting good governance. The indicators are drawn from 35 separate data sources constructed by 32 different organisations.
- The Government Effectiveness indicator aims to measure the quality of public services, the capacity of the civil service and its independence from political pressures, and the quality of policy formulation. On this indicator, Ireland ranked just below the EU15 average for most of the time up to 2005 and just above the EU15 average from 2005 onwards. It is well above the EU27 average. Denmark, Finland and Sweden consistently score highly on this indicator.
- Although above the EU15 and EU27 average scores from 2005 on, this average is pulled down by the low scores of a small number of countries (particularly Italy and Greece). In 2008 Ireland ranked ninth of the EU15 countries on this government effectiveness indicator.

In World Bank assessments, Ireland's regulatory quality indicator is well above the European average

Figure 15 World Bank Regulatory Quality indicator

Source: World Bank Worldwide Governance Indicators



- The Regulatory Quality indicator aims to measure the ability of the government to provide sound policies and regulations that enable and promote private sector development. On this indicator Ireland ranks as well above the EU15 and EU27 averages, particularly from 2006 onwards.
- In 2008, Ireland ranked first of all EU countries on this indicator.¹³

¹³ It should be noted that available data for the indicator runs up to 2008, pre-dating the regulatory problems identified in the financial sector in 2009 and 2010.

Public service efficiency and performance

Departmental output statements, introduced in 2007, are intended to facilitate judgement as to how wisely and effectively public money is being spent. Departments set annual output targets for themselves and assess achievement against those targets, which provide one indicator of performance.

From a more 'bottom up' perspective, the World Bank Doing Business indicator set provides some information on the efficiency of service provided to business by public administration.

Ultimately, the provision of public administration is intended to achieve social outcomes in sectors such as health, education, law and order and transport. As such it is important that any review of public administration looks at sectoral outcomes. In this report, an initial look is taken at some high-level education and health indicators, given that these areas are the largest areas of public expenditure.

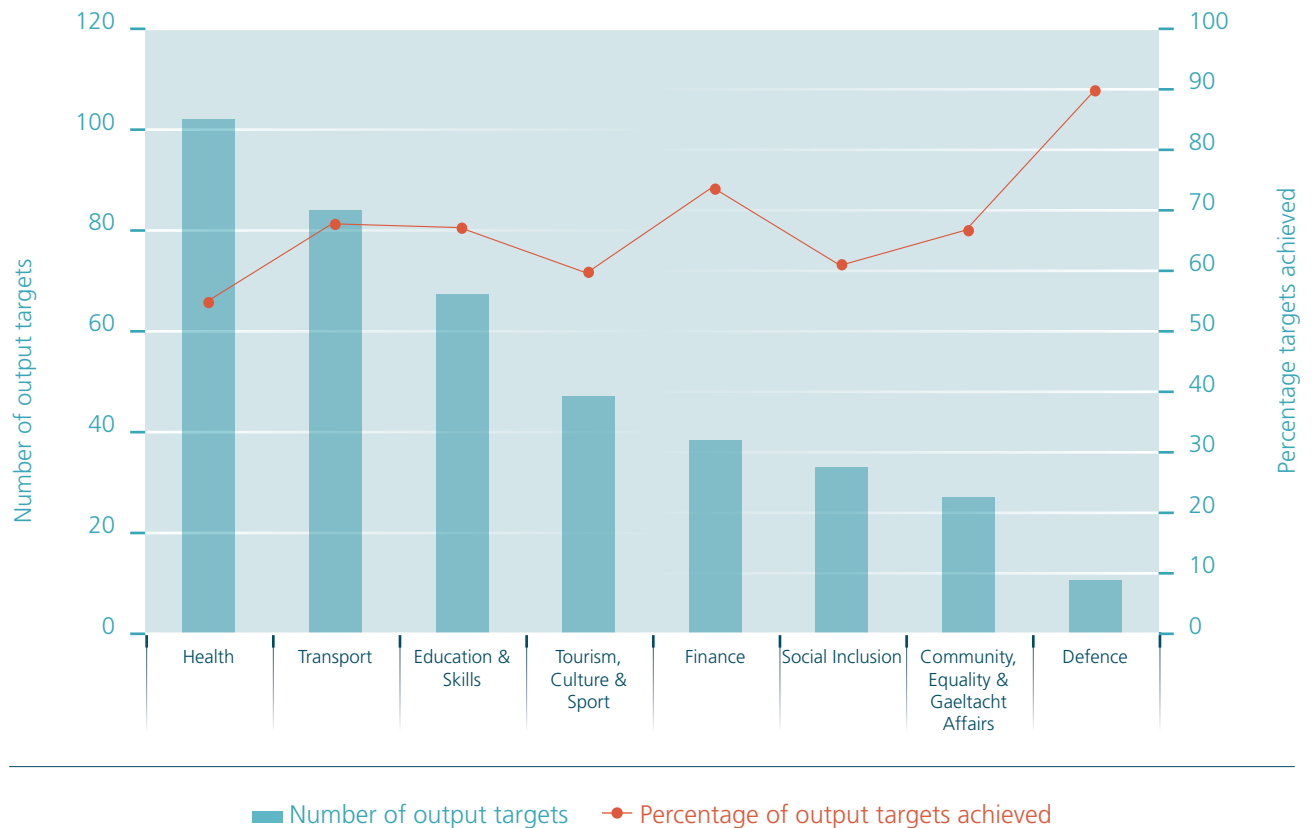
Attainment and enrolment are two important indicators of the education system, enrolment focusing on process and attainment on outcome. The European Central Bank (ECB, 2003) and Netherlands Social and Cultural Planning Office (SCP, 2004) used secondary school enrolment and educational achievement indicators in their international comparisons of public sector efficiency and performance. They are the main indicators used in this report.

In the health sector, two commonly used indicators, again used in the ECB and SCP studies, are life expectancy and infant mortality. They are used here to illustrate outcomes in the health sector.

On average, government departments fully met about two-thirds of their self-determined output targets in 2009

Figure 16 2009 Output Target Achievement Rate

Source: IPA analysis

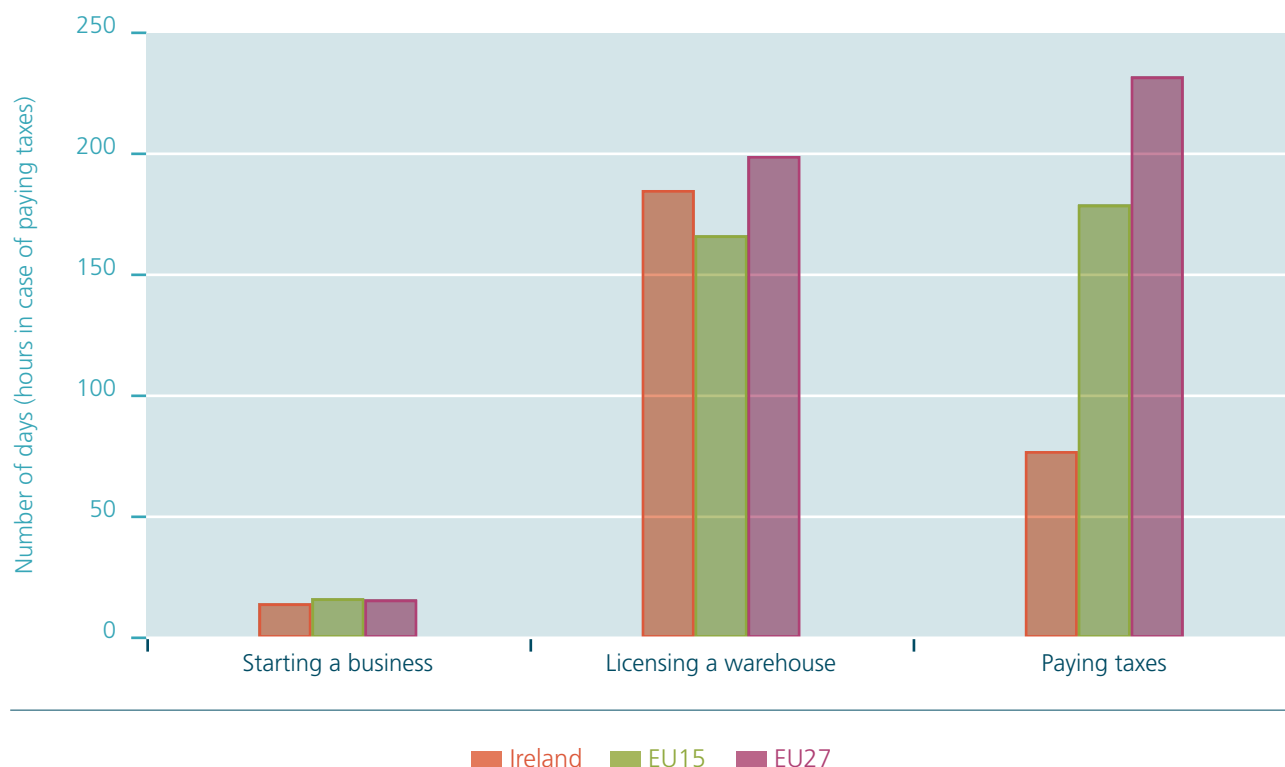


- Eight government departments had published their 2010 output statement on their website by the end of August 2010, including details of their 2009 output targets and whether or not the targets were achieved.
- The number of output targets set by departments varies greatly, from 10 to over 100.
- Around two-thirds of all the output targets departments set for themselves in 2009 were fully met.
- The quality of output targets was generally poor, with many targets being vague in nature with poorly framed goals.
- The Department of Health had the lowest success rate, but also had the best defined output targets, with most targets being clear, well defined and challenging.

Ireland's public administration provides a relatively efficient level of service to business

Figure 17 World Bank Doing Business indicators 2009

Source: World Bank *Doing Business* indicators



- A 'bottom-up' approach to assessing efficiency of public administration is taken by the World Bank in some of their Doing Business indicator set, with performance assessed from a service user perspective.
- The number of days estimated that it takes an entrepreneur to start a business in Ireland is 13, slightly less than the EU15 average of 16 days. In Belgium and Hungary it takes 4 days.
- The number of days to complete all procedures required for a business in the construction industry to build a standardised warehouse (including obtaining necessary licenses and permits, completing required notifications and inspections, and obtaining utility connections) was estimated at 185 in Ireland in 2009, somewhat longer than the EU15 average (166 days) and better than the EU27 average (199 days). The best performer is Finland, with an estimated 38 days.
- The number of hours it takes a medium-sized company to pay tax in a given year is significantly lower in Ireland, at 76 hours, than it is for the EU15 (179 hours) and EU27 (232 hours) averages. Ireland ranks second in the EU behind Luxembourg on this indicator.
- Overall, Ireland does relatively well in the EU against these World Bank indicators that assess the impact of public administration on the ability of companies to do business.

Ireland scores relatively well in terms of educational attainment

Figure 18 PISA Educational Assessment Scores 2006

Source: OECD PISA survey



- The OECD Programme for International Student Assessment (PISA) survey is an internationally standardised assessment administered to 15-year olds in schools. Tests are typically administered to between 4,500 and 10,000 students in each country.
- The 2006 PISA survey shows that Ireland has a higher ranking than the European average in maths, sciences and reading. Finland is the highest ranked European country.

Secondary school enrolment is somewhat behind the European average

Figure 19 Secondary school enrolment

Source: IMD World Competitiveness Yearbook



- In 2007, the last year for which comparative data is available, the percentage in full-time education in Ireland was 88 per cent, compared to 92 per cent average for the EU15.
- The percentage in full-time education has been consistently rising in Ireland since 2000. But it is still somewhat below the European average. Sweden recorded a 99 per cent rate in 2007.

Ireland's competitive advantage in the perception of its education system by executives is declining

Figure 20 The education system meets the needs of a competitive economy

Source: IMD World Competitiveness Yearbook



- Executive opinion about the role of the educational system in meeting the needs of a competitive economy is one (though only one) important indicator of how well the education system is functioning.
- From 2000 to 2010 the Irish education system has been seen by those executives completing the survey as better than the European average in meeting the needs of a competitive economy.
- However, the gap is closing and there are worrying signs of a downward trend in opinion of the Irish education system over the period. Ireland ranked second of the EU15 in 2000 on this indicator, and only eighth in 2010.

Life expectancy is around the European average

Figure 21 Life expectancy

Source: WHO, WHOSIS



- Life expectancy at birth in 2008 at 80 years was around the average for the EU15 and better than the EU27 average. Only France, Spain and Sweden at 81 years were higher.
- Healthy life expectancy at birth (the average number of years that a person can expect to live in 'full health') in 2007 in Ireland was 73 years, around the EU15 average. Only Italy, Spain and Sweden, at 74 years, rank higher.

Infant mortality is around the European average

Figure 22 Infant mortality

Source: WHO, WHOSIS



- Under 5 infant mortality per 000 live births had fallen in Ireland from 6 in 2004 to 4 in 2007, but rose again to 5 in 2008.
- For most countries in the EU15 the infant mortality rate is 3 or 4 per 000 live births.

Trust and confidence in public administration

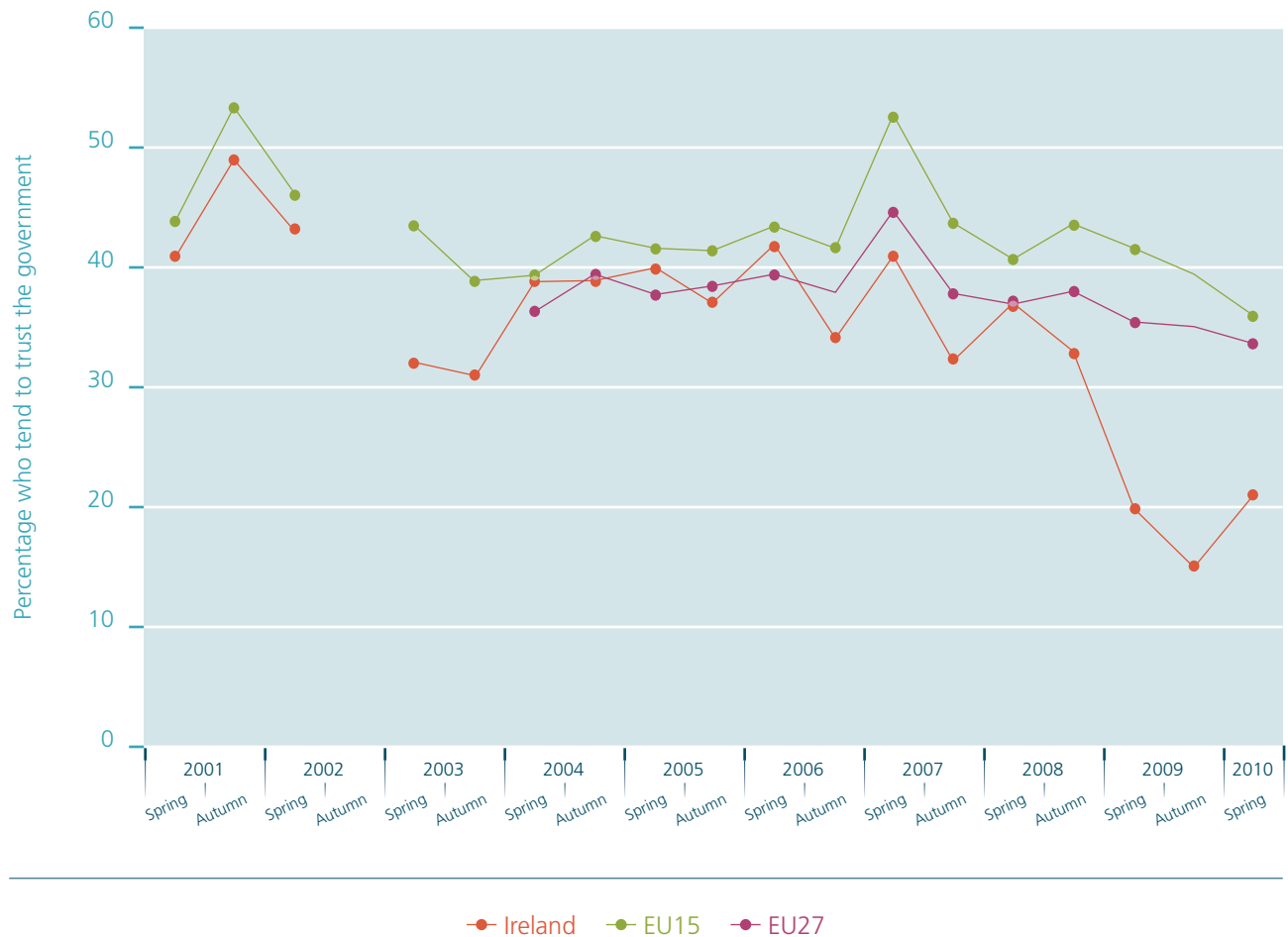
Eurobarometer measures bi-annually the level of public confidence in the national government and parliament. National government is not defined, and the extent to which it covers both political and administrative elements of government is unclear. But it is likely to primarily reflect levels of trust in the political parties in power at the time of the survey.

The European Values Survey measures levels of confidence in various aspects of the public administration system: the civil service, the education system and the health system.

Trust in government has fallen rapidly compared to European norms since 2008

Figure 23 Level of trust in government

Source: Eurobarometer (N.B. no data available for autumn 2002)

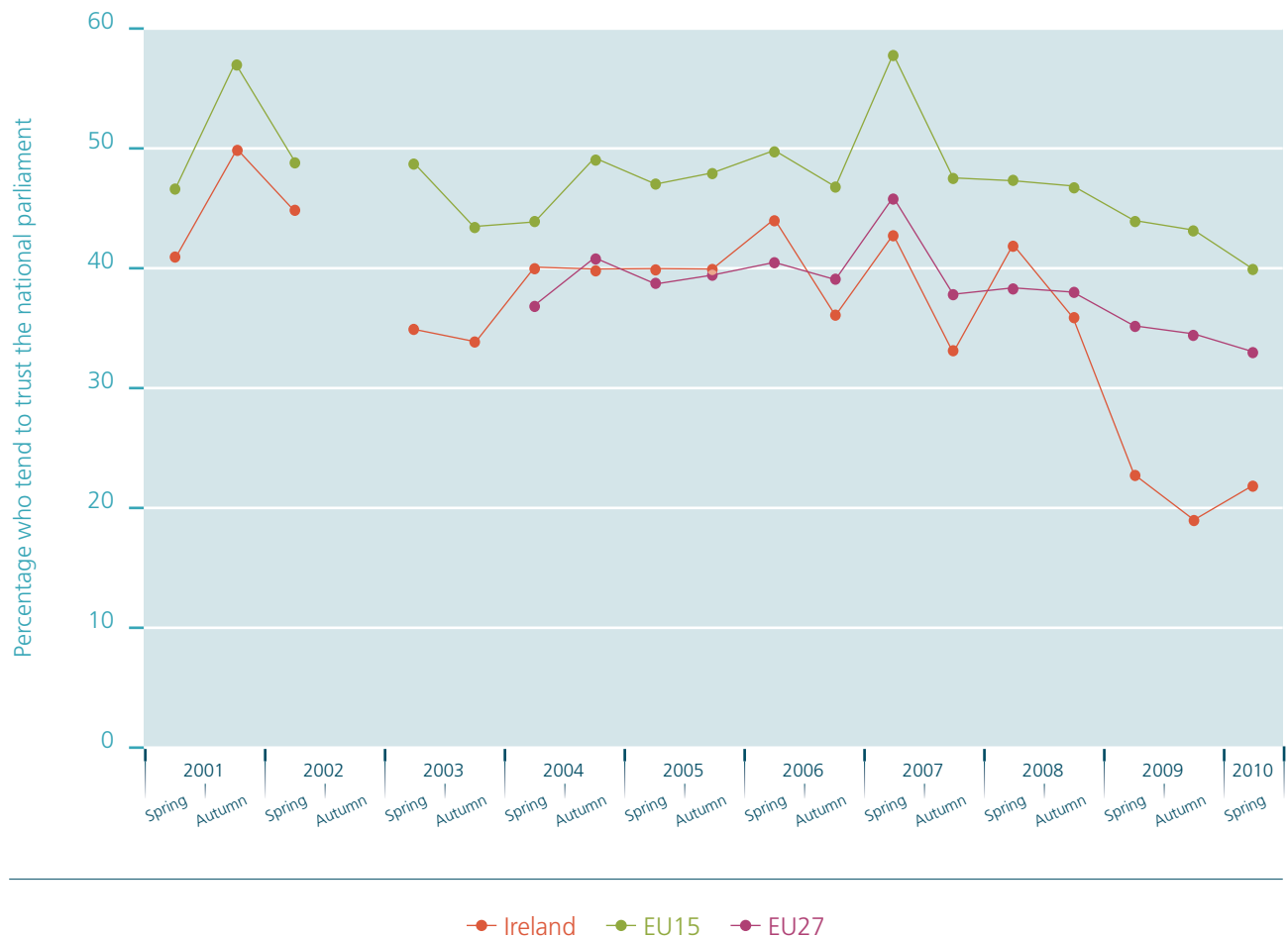


- The level of public trust in government in Ireland has tended to be slightly below the EU15 average from 2001 to 2008, and at or around the EU27 average from 2004 to 2008.
- However, there has been a dramatic fall in the level of trust in government in Ireland from 2008. Trust in government in the rest of Europe has also fallen, but only slightly. In spring 2010, Ireland expressed the third lowest level of trust in government of any of the EU15 (21 per cent), with only Spain and Portugal lower, and the sixth lowest of the EU27.

Trust in parliament is falling and is below the European average

Figure 24 Level of trust in national parliament

Source: Eurobarometer (N.B. no data available for autumn 2002)



- The level of trust in national parliament has, on average, been falling in Ireland and in most of the rest of Europe from 2001 to 2010.
- Irish trust in parliament is lower than the EU15 average and was around the EU 27 average until 2008.
- From 2008, as with trust in government, trust in parliament has dropped rapidly both in absolute terms and compared to European averages, though there was a slight increase from autumn 2009 to spring 2010. Ireland had the second lowest level of trust in parliament in the EU15 in spring 2010 (with Spain lowest).

The Irish public have a high level of confidence in the civil service

Figure 25 Level of confidence in the civil service

Source: European Values Survey

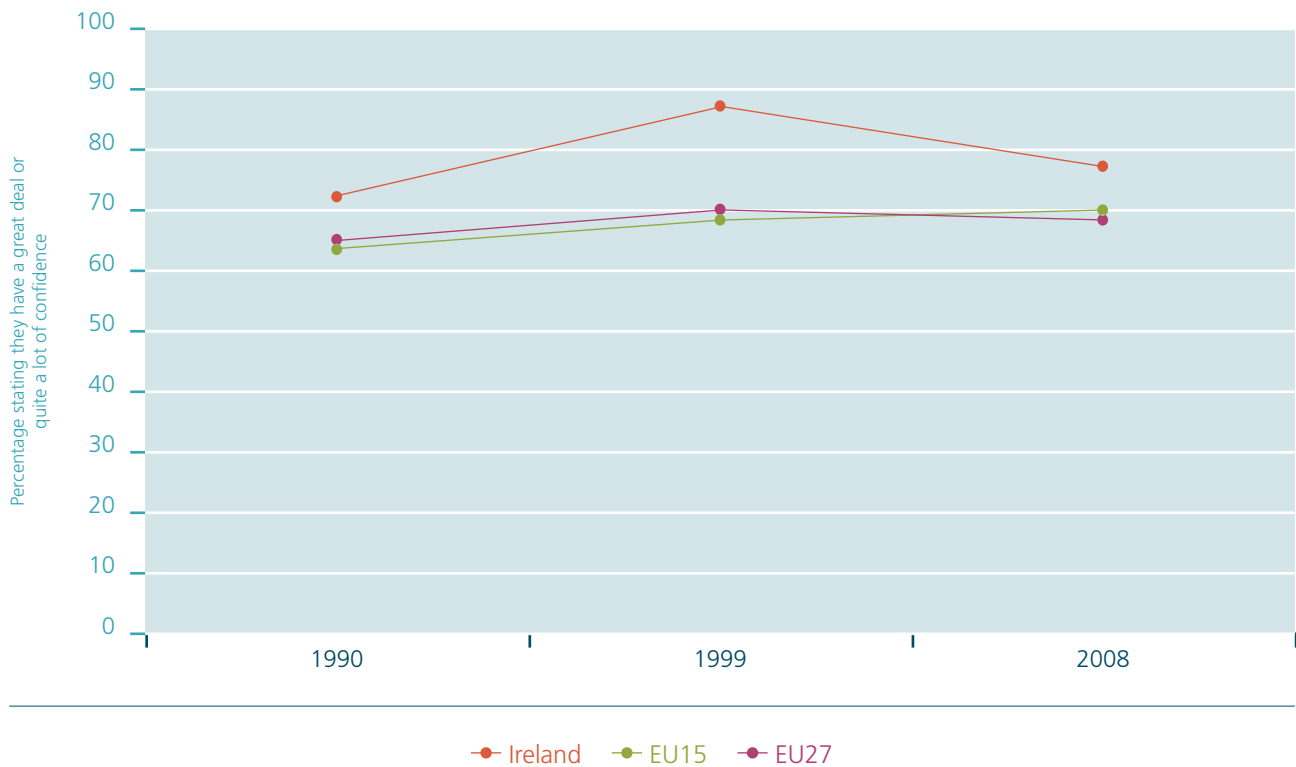


- The European Values Survey gives information on public levels of confidence in various parts of the public administration. However, this survey is only conducted periodically, with the latest data, for 2008, only being published in summer 2010.
- The public level of confidence in the civil service in Ireland is much higher than the European average. In 2008, 62 per cent said they had a great deal or a lot of confidence in the civil service, fourth behind Luxembourg (70 per cent), Denmark (67 per cent) and France (63 per cent).

Levels of confidence in the education system are above European average

Figure 26 Level of confidence in the education system

Source: European Values Survey



- As with the civil service, public confidence in the education system in Ireland is higher than the European average. There was a particularly high level of confidence expressed in 1999 (87 per cent) which had fallen back to 76 per cent in 2008.
- Ireland ranked joint sixth on this indicator in 2008. Finland topped the list with a level of confidence of 89 per cent.

There has been a worrying fall in confidence in the health system

Figure 27 Level of confidence in the health system

Source: European Values Survey



- Level of confidence in the health system has only been measured in two surveys, in 1999 and 2008.
- In 1999 the level of public confidence in Ireland's health system was a little below the European average, at 58 per cent.
- Worryingly, public confidence in the health system in Ireland dropped dramatically from 1999 to 2008, with those expressing a great deal or quite a lot of confidence in the health system falling to 31 per cent. This compares to confidence in the health system in most of the rest of Europe remaining relatively stable. The level of confidence expressed was the second lowest, behind Bulgaria (21 per cent).

Key conclusions

From the information brought together here, can we give any indication as to whether Ireland in 2010 possesses the most effective public administration in the European Union, the goal that was set in Budget 1995?

In overall terms, the data presented here would tend to suggest that Ireland's public administration is closer to the average for the European Union than it is to the best. But it can be argued that this is still a creditable and credible position for a small state such as Ireland. The economic downturn since 2008 has impacted significantly on the figures displayed here and sets the context for the interpretation of the data presented.

Does any of this matter? Knowing where we rank in Europe, while interesting, does not of itself make any difference to the day-to-day reality of citizens receiving public services. It can point out areas where we need to improve, and identify countries we might learn from. But beyond that the more important lessons relate to the guidance which the information here might provide for the next steps in Irish public sector reform. Key conclusions emerging in this light include:

- The growth in public spending (in terms of as a percentage of GDP/GNI and in terms of public expenditure per head) is not sustainable. This raises fundamental questions about what services the state should provide as public services. There is a consequent need for more information on the costs and benefits of expenditure programmes to inform decisions on where to focus state intervention.
- Numbers employed in the public sector, as a percentage of total employment, are not excessive by European standards. Growth in numbers has primarily been concentrated in the health and education sectors.
- There are signs that the control of the Exchequer pay and pensions bill is leading to a reversal in the increases which took place in the early to mid 2000s.
- The health and education sectors account for just under 70 per cent of public service employment and 75 per cent of the Exchequer pay bill between them. Clearly, any attempts to reform the public sector from a financial perspective must focus on these areas. Even if all non-commercial agencies were abolished and their staff let go, clearly an untenable position, this would only reduce the Exchequer pay bill by around 4 per cent.
- The decline in the perception of the upholding of 'traditional' public service values such as independence from political interference, freedom from bribery and corruption, and reliability and administrative fairness is of concern. As is the fall in confidence and trust in the government, parliament and health system. Clearly articulating and acting on public service values is going to be an increasingly important role for leadership in the public service.
- The absence of hard data on productivity and performance is an ongoing concern for the public service. There are particular challenges, but the fact that we tend to have generally poor output targets is one indicator that there is significant room for improvement. Output statements need to be transformed into performance statements that give a real sense of performance and productivity.

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Appendix 1

Indicators used to make up the IPA Public Administration Quality indicator

	DATA SOURCE & INDICATOR	DESCRIPTION
<i>Traditional Public Service Values Indicator(TPSVI)</i>	Government Decisions (IMD 2.3.10)	Government decisions are effectively implemented
	Justice Processes (IMD 2.5.01)	Justice is fairly administered
	Judicial Independence (WEF 1.05)	The judiciary is independent from political influences of members of government, citizens or firms
	Diversion of Public Funds (WEF 1.03)	Diversion of public funds to companies, individuals or groups due to corruption
	Bribery and Corruption (IMD 2.3.15)	Existence of bribery and corruption
	Favouritism in Decisions of Government Officials (WEF 1.06)	When deciding upon policies and contracts, government officials are neutral
	Transparency (IMD 2.3.12)	Government policy is transparent
	Wastefulness of Government Spending (WEF 1.07)	The composition of public spending is wasteful
	Reliability of Police Services (WEF 1.14)	Police services can be relied upon to enforce law and order

	DATA SOURCE & INDICATOR	DESCRIPTION
Competitiveness and Regulation Indicator (CRI)	Legal and Regulatory Framework (IMD 2.3.08)	The legal and regulatory framework encourages the competitiveness of enterprises
	Public Sector Contracts (IMD 2.4.03)	Public sector contracts are sufficiently open to foreign bidders
	Ease of Doing Business (IMD 2.4.16)	The ease of doing business is supported by regulations
	Intellectual Property Rights (IMD 4.3.19)	Intellectual property rights are adequately enforced
	Public and Private Sector Ventures (IMD 4.2.15)	Public and private sector ventures are supporting technological developments
	Bureaucracy (IMD 2.3.14)	Bureaucracy hinders business activities
	Burden of Government Regulation (WEF 1.08)	Complying with administrative requirements (permits, regulations, reporting) issued by government is burdensome

Numbers in brackets here refer to the numbering used in the IMD World Competitiveness Yearbook 2008 and WEF Global Competitiveness Report 2008-2009

