

Research Paper N°8

# Public Sector Trends 2012

*Richard Boyle*



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State of the Public Service Series  
November 2012





# Contents

Foreword	4
Main findings	5
1. Introduction	9
2. The size and cost of the public sector	11
3. The quality of public administration	21
4. Public service efficiency and performance	27
5. Trust and confidence in public administration	42
6. Conclusion	46
References	47
Appendix 1      Indicators used to make up the Public Administration Quality indicator	48

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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. 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 and is the third in our annual series. The intention is to help inform the debate on Ireland's public sector and public administration, and its role in Irish society. There has been much talk recently about the continued relevance of the Public Service (Croke Park) Agreement and the role and efficiency of public servants. Much of the discussion takes place based on anecdote, without accessing information on how the public sector is performing and how it compares internationally.

Here we try to bring some evidence to bear on the important debate on the future shape and size 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**  
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# Main findings

In terms of overall performance, the data presented in this paper would tend to suggest that the quality of Ireland's public administration remains close to the average for the European Union. Indeed, there are some signs that aspects of quality are seen as having improved in recent times. This is a notable achievement for a small state such as Ireland, especially at a time of reducing numbers of public servants and limited resources available for public services.

## The size and cost of the public sector

- From 2008 to 2010, as GDP shrank as a result of the recession in Ireland, Ireland's government expenditure as a percentage of GDP increased rapidly. In 2011, however, expenditure as a percentage of GDP dropped to 48.1 per cent, just a little below the European average. Using GNI (gross national income) rather than GDP, the size of the public sector has been above the EU average since 2008. In 2011 government expenditure as a percentage of GNI was 59.1 per cent. This is the highest level in the EU, above Denmark at 57.9 per cent of GDP.
- Public expenditure per head of population, which had been growing significantly faster than the EU average up to 2010, fell back in 2011. It is still above the European average, but is now closer to the average.
- There has been a significant drop in the numbers employed in both the public sector and public service from 2008, with a drop of around 8 per cent in each case. Numbers employed in the public sector and public service in 2012 are now back down to close to 2005 levels of employment.
- Two out of every three people employed in the public service work in either health or education. In 2012, there were approximately 102,000 people employed in the health sector and 92,000 people employed in the education sector.
- Numbers have fallen in all sectors since 2008. The biggest drop proportionally has been in the non commercial state agencies (19 per cent), local authorities (14 per cent) and the justice sector (13 per cent). The smallest drop proportionally has been in the education sector (3 per cent).
- A growing population and shrinking public workforce mean that public sector employees per 000 population has been dropping since 2008 and is at 73.6 public sector employees per 000 population in 2012. Public service employment is around 65.5 public servants per 000 population.
- The Exchequer pay and pensions bill reached a peak of €18.753bn in 2008. From 2008 to 2012, as the cutbacks in numbers and pay introduced by the Government have taken effect, the Exchequer pay and pensions bill has decreased to €16.904bn in 2012.
- While the Exchequer pay bill has continued to decrease each year from 2008, the Exchequer pensions bill has increased, from €1.656bn in 2008 to €2.502bn in 2012.
- The health and education sectors account for the vast majority of the Exchequer pay bill. In 2012, the health pay bill (€5.986bn) was 41.6 per cent of the total and the education pay bill (€4.846bn) 33.6 per cent of the total.
- The non-commercial state-sponsored bodies share of the Exchequer pay bill has fallen significantly between 2002 and 2012, from 4.3 per cent to 2.7 per cent.

### The quality of public administration

- Surveys of business executives show that the quality of Ireland's public administration is seen as above the European average. Ireland's score on a quality of public administration index increased slightly in 2012 compared to European averages. Ireland came 5th of the EU27 on this indicator in 2012. Ireland's ranking on this quality indicator tends to have been slightly above the EU15 average and well above the EU27 average over the last decade. The Nordic countries lead the way, with Finland, Sweden and Denmark being the top three ranked for the last five years.
- Ireland's score on an indicator ranking the upholding of traditional public service values such as independence from political interference, freedom from bribery and corruption, and reliability and administrative fairness improved in 2012. So too did Ireland's score on an indicator assessing the encouragement of competition and provision of a supportive regulatory environment. In 2012, Ireland ranked 3rd of the EU27, behind Sweden and Finland, improving from 6th in 2011.
- The World Bank produces an annual composite indicator of government effectiveness. Ireland's government effectiveness score was slightly above the EU15 average from 2005 to 2008, but declined over that time period, and in 2009 fell below the EU15 average. It stabilised in 2010 (the latest year for which information is available on this indicator) when Ireland ranked 12th of the EU27.
- Against the World Bank regulatory quality indicator, Ireland's score remained well above the European average in 2010. However, in 2008, Ireland ranked first of all EU countries on this indicator. The impact of the regulatory problems identified in the financial sector in 2009 clearly impacted on the indicator, and Ireland dropped to 7th ranked European country on this indicator in 2010, with Denmark now having the highest ranking.

### Public service efficiency and performance

- Surveys of business executives show that Ireland is seen as relatively un-bureaucratic when it comes to dealing with businesses. Only in Sweden, Finland, Denmark and Estonia is bureaucracy seen as less of a hindrance to business activity.
- The same opinion surveys show that there is a perception that the composition of government spending is wasteful. However, Ireland's score on this wastefulness indicator has improved over the last two years and is now close to the EU27 average score, with Ireland ranking 13th of the EU27 on this indicator.
- Perceptions that government decisions are effectively implemented in Ireland have improved in the last two years, after getting worse for a number of years before that.
- Overall, Ireland continues to do 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.
- Ireland is close to, but generally just below, the EU27 average with regard to how changes in public services to businesses to support innovation in recent years are concerned. Ireland scores quite well with regard to providing options to complete government forms over the internet and providing access to information on government services over the internet. But Ireland is rated relatively poorly with regard to issues such as reductions in time required to obtain permits or licenses, faster response times and securing reductions in financial costs to companies.

- While Ireland is close to the EU27 average with regard to perceived public service support for innovation in businesses, Ireland scores relatively well with regard to the perceived quality of services provided to support businesses being innovative. The provision of high quality information and advice and accessibility of that information and advice are ranked particularly highly.
- In terms of high-level sectoral outcomes, taking education first, Ireland's scores worsened between 2006 and 2009 in terms of educational attainment, particularly in maths. But the competitive advantage of our education system is perceived to have improved in 2011 and 2012; Ireland ranked third European country on this indicator in 2012, behind Finland and Denmark.
- In health, life expectancy and child mortality are around the European average. Similarly against a 'basket' of outcomes assessed by the Euro Health Consumer Index, Ireland performs around the EU15 average. As with most other European countries, Ireland improved its score on this health outcomes index between 2009 and 2012. Sweden, the Netherlands and Finland achieve the top three rankings on this index.

#### Trust and confidence in public administration

- There have been dramatic shifts in the level of trust in government in Ireland. From 2008 to 2010 levels of trust in government fell significantly. In autumn 2010, Ireland expressed the lowest level of trust in government of any of the EU27 (10 per cent). By spring 2011, the level of public trust had increased significantly to 42 per cent expressing trust in the Irish government, close to the EU15 average. But this fell back to 22 per cent by autumn 2011 and 24 per cent in spring 2012.
- Trust in parliament displays a similar pattern to trust in government, dropping to an all time low of 12 per cent in 2010 and recovering to 39 per cent in spring 2011. This level of trust fell again to 21 per cent in autumn 2011, and increased slightly to 24 per cent in spring 2012. The Nordic countries of Sweden, Denmark and Finland display the highest levels of trust in their national parliaments.
- Trust in regional and local authorities in Ireland is low. The level of trust in regional and local authorities in Ireland was at 26 per cent in 2011, down from 40 per cent in 2008. It increased slightly to 30 per cent in spring 2012. This is one of the lowest levels of trust in the EU. Only Greece, Italy and Spain report lower levels of trust in regional and local authorities in 2012.



## Conclusions

- Numbers employed in the public sector continue to fall. As a percentage of total employment, public service numbers are not excessive by European standards. As the population continues to increase (placing increasing demands on public services) and as numbers are reduced further to meet fiscal and economic targets, the challenge of maintaining services and the skills and capacity needed to provide those services increases. This focuses particular attention on the need for process improvement to enhance efficiencies and for reducing programme expenditure in some areas (not only more for less but also less for less).
- The local authority and justice sectors have been particularly hit by staffing reductions. Capacity development in these areas is of pressing concern.
- The Exchequer pay bill continues to decline from its high in 2008. But the pensions bill is increasing as numbers leaving and taking early retirement impact on the bill. The need for fiscal discipline to be maintained in these areas remains.
- Given the reductions in numbers and public expenditure, perceptions of the quality of public administration have held up remarkably well. Irish public services are seen as relatively un-bureaucratic compared to most European countries. The quality of services to businesses is ranked relatively highly. There is much of Irish public service provision that is seen in a positive light despite the challenges being faced.
- Trust in government and parliament remains fragile, and trust in local government is low. Much remains to be done to re-build and maintain the trust of the Irish people in government.

# 1. | Introduction

There are no clear or agreed definitions for comparative ranking of public administrations. But most people would agree that a number of elements 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 are 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 a number of charts, as well as showing Ireland's rating relative to the EU15 and EU27 averages, the top ranked and bottom ranked country at the most recent data gathering are included for comparative purposes.

In its style and content, the report draws on a number of efforts to benchmark and compare public sector efficiency and performance. These include a European Central Bank (ECB) international comparison of public sector efficiency<sup>1</sup>, a study by the Netherlands Social and Cultural Planning Office (SCP) of comparative public sector performance<sup>2</sup>, the World Bank governance indicators project<sup>3</sup>, the OECD Government at a Glance project<sup>4</sup>, and an IPA study comparing public administrations<sup>5</sup>.

<sup>1</sup> Afonso et al (2003)

<sup>2</sup> Social Cultural and Planning Office (2004)

<sup>3</sup> See <http://info.worldbank.org/governance/wgi/index.asp>

<sup>4</sup> See <http://www.oecd.org/gov/indicators/govtaglance>

<sup>5</sup> 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 opinion surveys. This survey data comprises small-scale samples of opinion from academics, 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 limited sections of the community. 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.

## 2. | 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<sup>6</sup>. Government expenditure as a share of GDP/GNI<sup>7</sup>, 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.

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<sup>6</sup> In this study, the public service is defined as the public sector minus the commercial state-sponsored bodies.

<sup>7</sup> 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% of GDP. The gap reflects the magnitude of repatriated profits from Ireland that inflates the GDP figure.

## Government expenditure as a share of the economy in Ireland grew rapidly in recent years both absolutely and when compared to the rest of Europe, but fell back in 2011

**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, from 2008 to 2010, as GDP shrank as a result of the recession in Ireland, Ireland's government expenditure as a percentage of GDP increased rapidly. The particularly large jump from 2009 to 2010 is mostly explained by the impact on government expenditure of specific government support to banks during the financial crisis, in the form of capital injections. In 2011, expenditure as a percentage of GDP had dropped back down to 48.1 per cent, just a little below the European average.

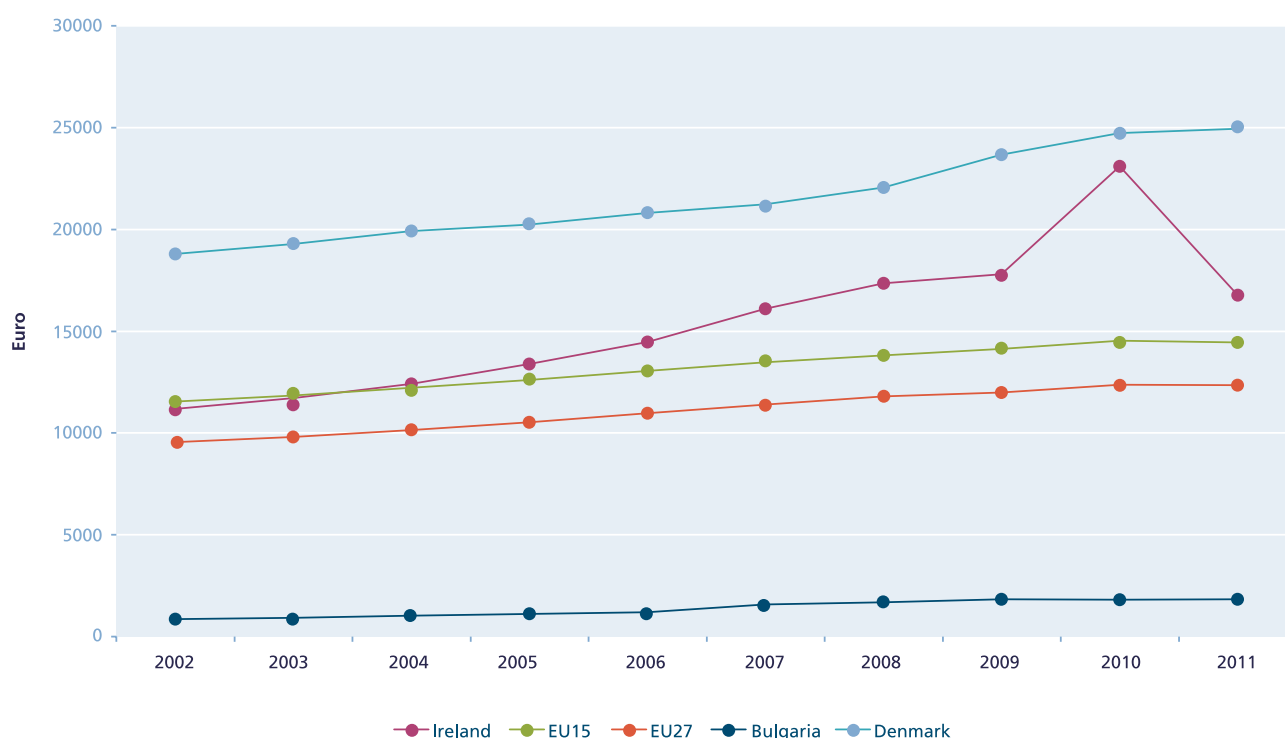
- An alternative indicator to assess the comparative size of Ireland's public spending is to use GNI (gross national income) rather than GDP, as GNI does not include repatriated profits from Ireland which inflate the GDP figure<sup>8</sup>. Using this GNI indicator, the size of the public sector was still below the EU average up to 2007, but has been above the EU average since then. In 2011 government expenditure as a percentage of GNI was 59.1 per cent. This is the highest level in the EU, above Denmark at 57.9 per cent of GDP.

<sup>8</sup> See for example Foley (2009), pp.75-76. Ireland and Luxembourg are the two EU countries where there is a substantial difference between GDP and GNI. In most other countries the two figures are broadly similar.

## Government expenditure per head of population, having grown significantly faster than the EU average, fell back in 2011

**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.

- From being just below the EU15 average (but above the EU27 average) in 2002, Ireland has gradually grown faster than the EU average on this indicator up to 2009. The effect of government support for the banks is clearly visible on the impact on the figures for 2010. In 2011, general government expenditure per head was back down at €16,765, below 2008 levels.

- Government expenditure per person in Ireland in 2011 was the ninth highest in Europe. Denmark, shown on the chart, is one of the highest spenders on this indicator, while Bulgaria has the lowest level of government expenditure per head of population in the EU<sup>9</sup>.

<sup>9</sup> Luxembourg has by far the highest level of general government expenditure per head of population, at €34,719 in 2011, but is atypical. Denmark is more representative of countries that have a high level of government spending per head of population.

## Numbers employed in the public sector and the public service continue to decline

**Figure 3** Numbers employed in the public sector and public service

Source: Department of Finance, Budgetary and Economic Statistics

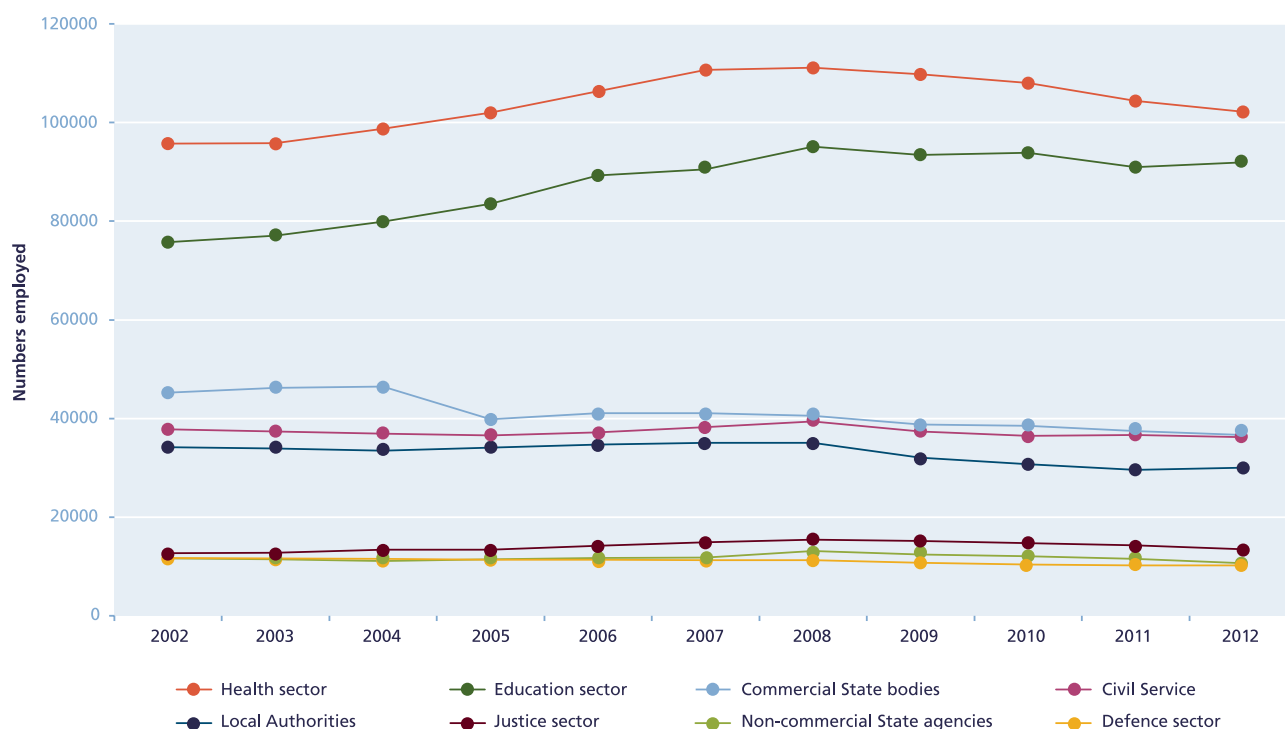


- The total number of people employed in the public sector grew from around 317,000 in 2001 to 360,000 in 2008, a growth of 14 per cent.
- Excluding commercial state-sponsored bodies, the numbers employed in the public service grew from 270,000 in 2000 to 320,000 in 2008, a growth of 19 per cent.
- There has been a significant drop in the numbers employed in both the public sector and public service from 2008, with a drop of around 8 per cent in each case.
- Numbers employed in the public sector and public service in 2012 are now back down to close to 2005 levels of employment.

## The health and education sectors continue to account for the vast majority of public sector jobs

**Figure 4** Public sector employment by sector

Source: Department of Finance, Budgetary and Economic Statistics



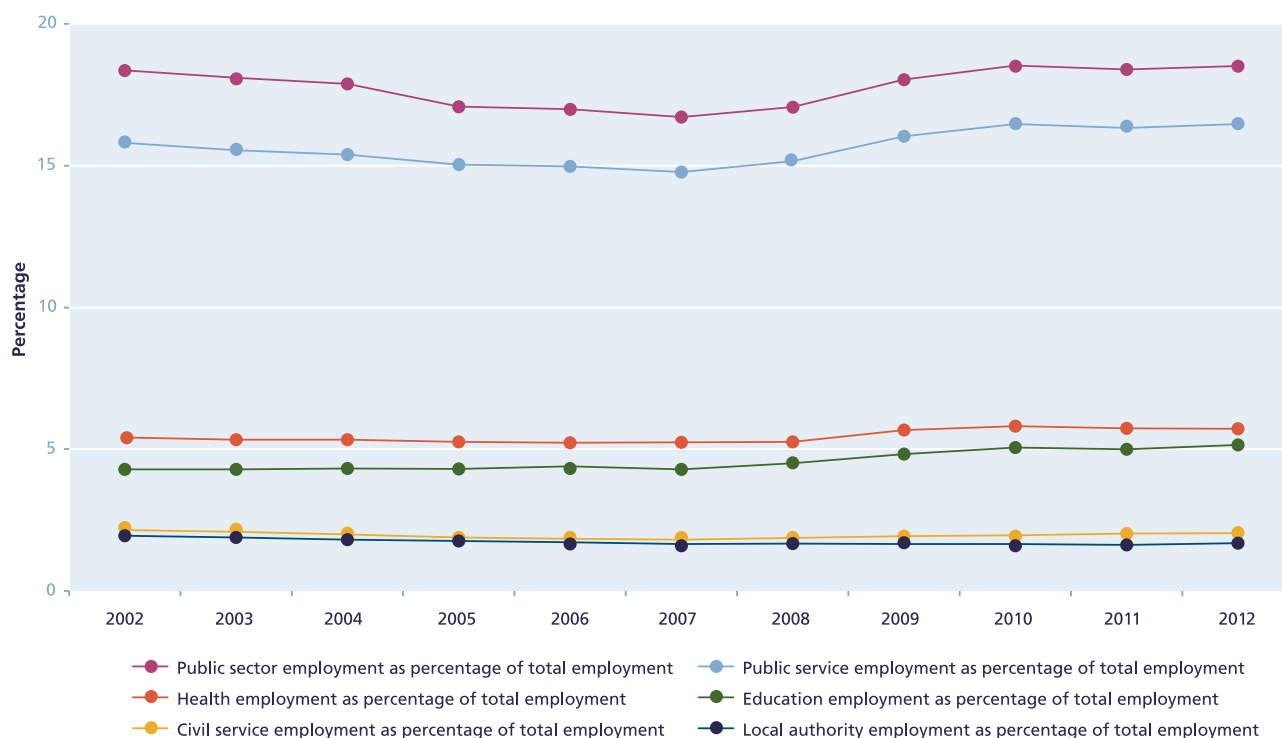
- Growth in public sector numbers from 2001 to 2008 was primarily concentrated in the health and education sectors.
- Two out of every three people employed in the public service work in either health or education. In 2012, there were approximately 102,000 people employed in the health sector and 92,000 people employed in the education sector.
- Numbers have fallen in all sectors since 2008. The biggest drop proportionally has been in the non commercial state agencies (19 per cent), local authorities (14 per cent) and the justice sector (13 per cent). The smallest drop proportionally has been in the education sector (3 per cent).
- Those employed in non-commercial state-sponsored bodies (so called quangos) account for under 4 per cent of the public service workforce.



## While numbers employed in the public sector have risen and fallen, 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 18.5 per cent. Excluding the commercial state bodies, public service employment has remained between 14 and 16.5 per cent of total employment<sup>10</sup>.
- 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 2012. 18.5 per cent of the workforce was made up of public sector workers in 2012.
- Just under 6 per cent of all those in employment in the economy (public and private) are employed in the health sector, and just over 5 per cent in education. Two per cent of those in employment are civil servants, and just under 2 per cent are in local authorities.
- An OECD (2011) study showed that in 2008 in Ireland employment in general government as a percentage of the labour force (14.8 per cent) was around the OECD average. By contrast, in Denmark employment in general government was 28.7 per cent of the labour force.

<sup>10</sup> 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 continues to decline relative to the total population

**Figure 6** Public sector and public service employment per 000 population

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

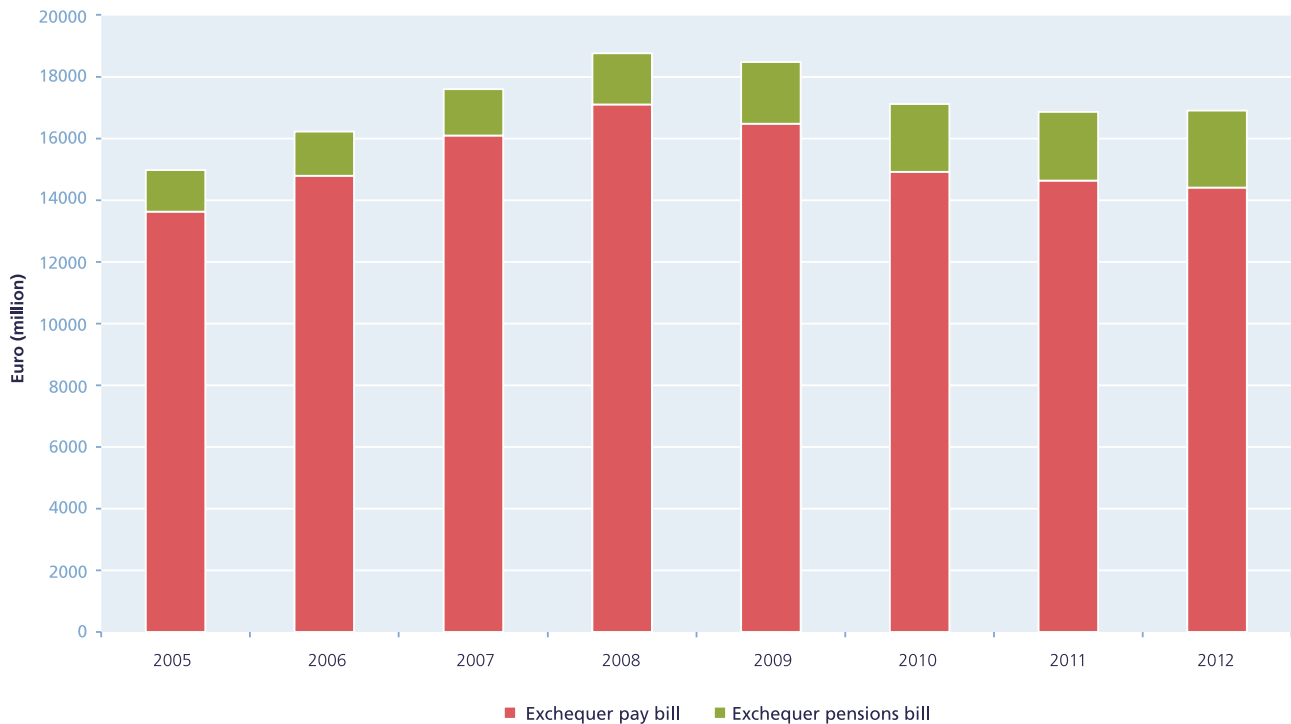


- Public sector employment relative to the population was relatively stable at between 80 and 85 public sector employees per 000 population, but has been dropping since 2008 and was at 73.6 public sector employees per 000 population in 2012.
- Public service employment is around 65.5 public servants per 000 population in 2012, also showing a significant decline from 2008.
- An OECD (2010) study comparing 8 countries (Denmark, Sweden, Finland, the UK, 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 Exchequer pay bill has been reduced in recent years, while the pension bill is increasing

**Figure 7** Exchequer pay and pensions bill

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



- The Exchequer pay and pensions bill reached a peak of €18.753bn in 2008.
- From 2008 to 2012, 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 €16.904bn in 2012.
- While the Exchequer pay bill has continued to decrease each year from 2008, the Exchequer pensions bill has increased, from €1.656bn in 2008 to €2.502bn in 2012.

## Exchequer pay and pensions as a percentage of GDP/GNP rose rapidly from 2007 to 2009 but has now stabilised

**Figure 8** Exchequer pay and pensions bill as percentage of GDP/GNP

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

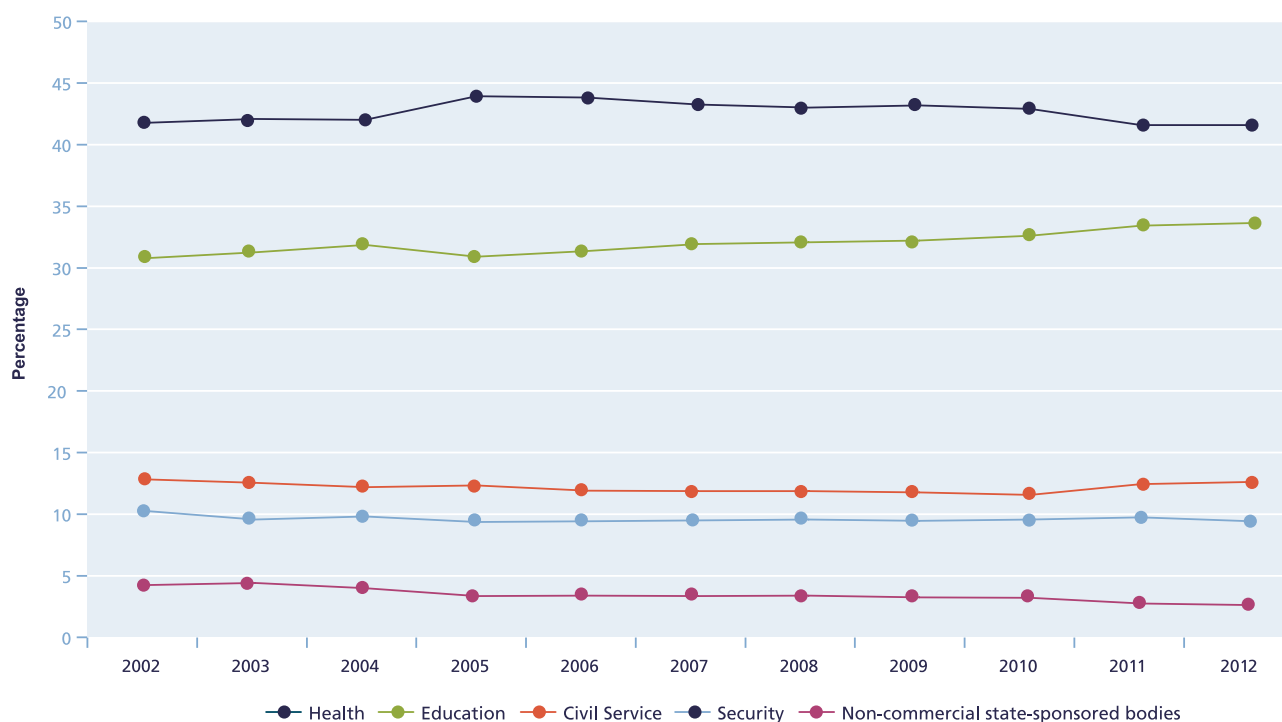


- Up to 2007, despite the increase in the Exchequer pay and pensions bill, as a percentage of GDP and GNP it had held relatively steady, at around 9 per cent of GDP and 10-11 per cent of GNP.
- In 2008 and 2009, as the recession hit, the percentage of GDP and GNP taken up by the Exchequer pay and pensions 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 is having an impact, with a fall back in the percentage of GDP and GNP taken up by the Exchequer pay and pensions bill in 2010 and 2011 (10.6 per cent of GDP and 13.3 per cent of GNP in 2011).

## The health and education sectors account for the major share of the Exchequer pay bill

**Figure 9** Sectoral share of Exchequer pay bill

Source: Department of Public Expenditure and Reform and 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 2012, the health pay bill (€5.986bn) was 41.6 per cent of the total and the education pay bill (€4.846bn) 33.6 per cent of the total.
- The health share of the Exchequer pay bill reached its peak share (43.9 per cent of the total Exchequer pay bill) in 2005. Since then, its share has been gradually declining. The education share of the Exchequer pay bill, with a couple of year's exceptions, has gradually increased from 2002 to 2012 as a proportion of the total pay bill.
- The non-commercial state-sponsored bodies share of the Exchequer pay bill has fallen significantly between 2002 and 2012, from 4.3 per cent to 2.7 per cent.

### 3. | The quality of public administration

An indicator of the quality of public administration, based on work undertaken by the Social and Cultural Planning Office (2004) in the Netherlands and taken further by Boyle (2007) is used to assess the quality of public administration. 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)<sup>11</sup>. It is complemented by 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.

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<sup>11</sup> This quality of public administration indicator was developed by the IPA and has been used internationally, notably in work for the Hong Kong administration benchmarking their public service.

## The quality of Irish public administration is seen as above the European average and has improved comparatively over the last couple of years

**Figure 10** Quality of public administration score 2003-2012

Source: IPA analysis based on IMD and WEF data

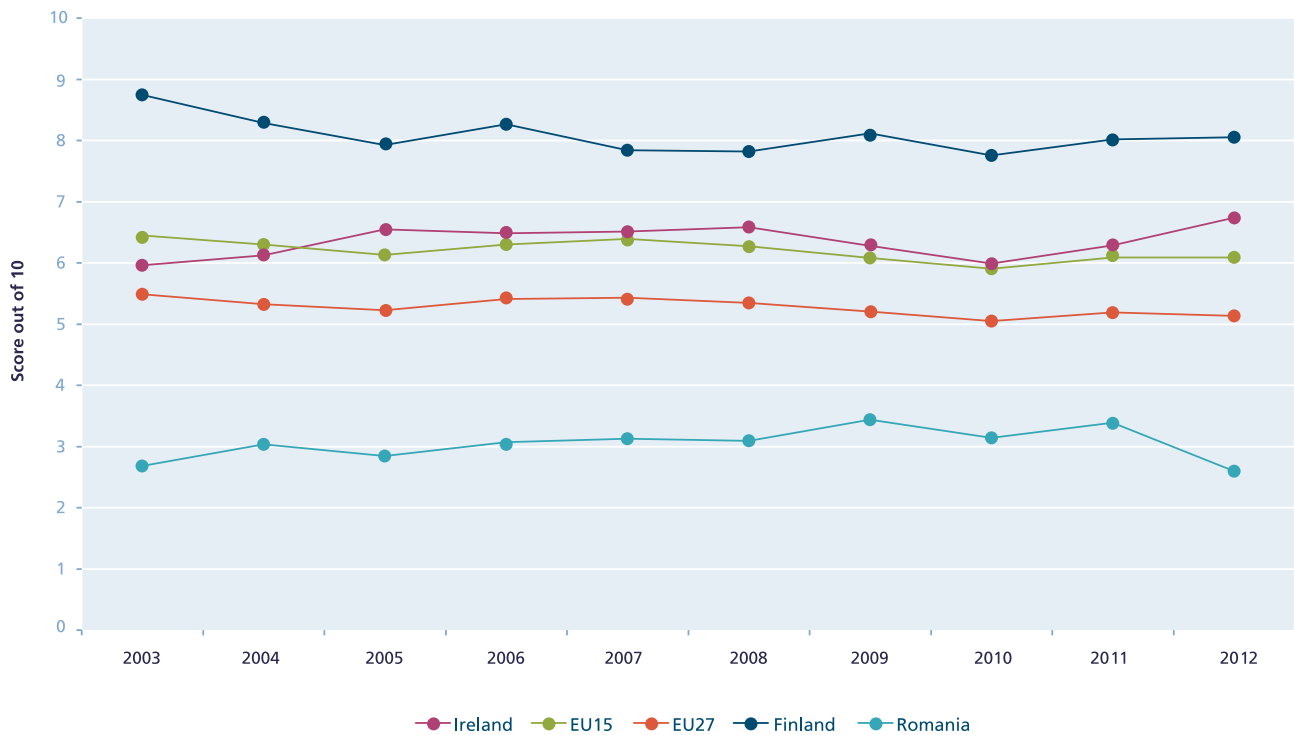


- Ireland's score on the quality of public administration index increase slightly in 2012 compared to European averages. Ireland came 5<sup>th</sup> of the EU27 on this indicator in 2012.
- Ireland's ranking on this quality indicator tends to have been slightly above the EU15 average and well above the EU27 average over the last decade.
- The Nordic countries lead the way, with Finland, Sweden and Denmark being the top three ranked for the last five years.

## Irish maintenance of traditional public service values is seen to be around the EU15 average

**Figure 11** 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 indicators 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. Ireland's score on this indicator has improved in 2011 and 2012.
- The Nordic countries of Finland, Denmark and Sweden score highest on this indicator. Romania, Bulgaria, Slovakia and Greece have the lowest scores.



## Ireland's public administration is seen as one of the best in Europe in encouraging competition and providing a supportive regulatory environment

**Figure 12** 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 indicators 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.

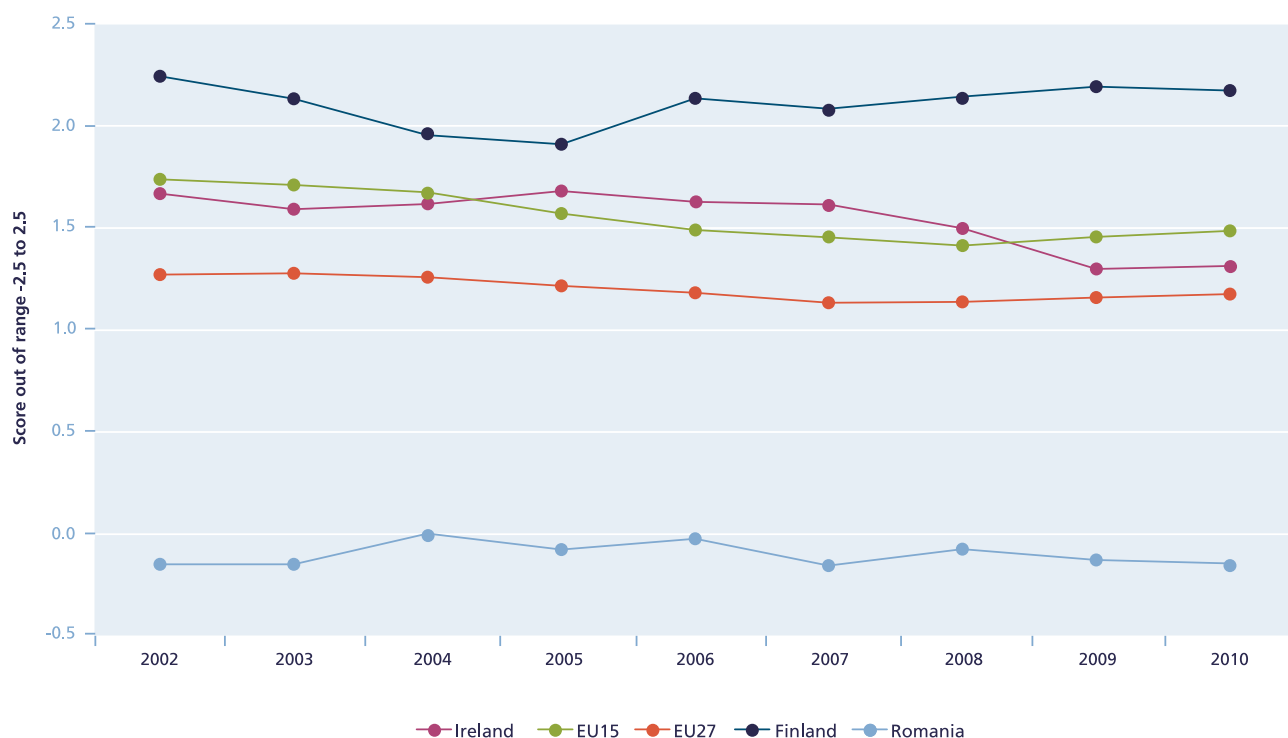
- Ireland's ranking on this competitiveness and regulation indicator is above the European average. In 2012, Ireland ranked third behind Sweden and Finland, improving from 6<sup>th</sup> in 2011.

- 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 dropped from 2005 to 2009 but stabilised in 2010

**Figure 13** World Bank government effectiveness indicator

Source: World Bank Worldwide Governance Indicators



- Since 1996 the World Bank has been using a set of 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 above the EU15 average from 2005 to 2008.
- Ireland's score fell from 2005 to 2009, and Ireland's government effectiveness indicator dropped below the EU15 average. It stabilised in 2010 when Ireland ranked 12<sup>th</sup> of the EU27. Ireland's score remains above the EU27 average. Finland is the top European scorer on this indicator and Romania the lowest ranked of the EU27.

## In World Bank assessments, Ireland's regulatory quality indicator remains above the European average

**Figure 14** 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 average scores, particularly from 2006 onwards.
- In 2008, Ireland ranked first of all EU countries on this indicator. However, the impact of the regulatory problems identified in the financial sector in 2009 clearly impacted on the indicator, and Ireland has dropped to 7<sup>th</sup> ranked European country on this indicator in 2010, with Denmark now having the highest ranking.

## 4. | Public service efficiency and performance

Information from executive opinion surveys shows perceptions of business people regarding the efficiency of public services. The World Bank Doing Business indicator set provides some information on the efficiency of service provided to business by public administration. Data from a 2012 Eurobarometer study of perceptions of businesses on innovation in the public service and its impact on business is included as a guide to performance in this important sphere of governmental activity<sup>12</sup>.

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, some high-level education and health indicators are included, 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. They are supplemented by a composite health outcomes index developed as part of the Euro Health Consumer Index.

<sup>12</sup> European Commission (2012), Innovation in the Public Sector: Its Perception in and Impact on Business, Flash Eurobarometer 343, [http://ec.europa.eu/public\\_opinion/flash/fl\\_343\\_sum\\_en.pdf](http://ec.europa.eu/public_opinion/flash/fl_343_sum_en.pdf) (accessed 24 September 2012).

## Irish public services are seen as relatively un-bureaucratic compared to most European countries

**Figure 15** Bureaucracy hinders business activity

Source: IMD World Competitiveness Yearbook

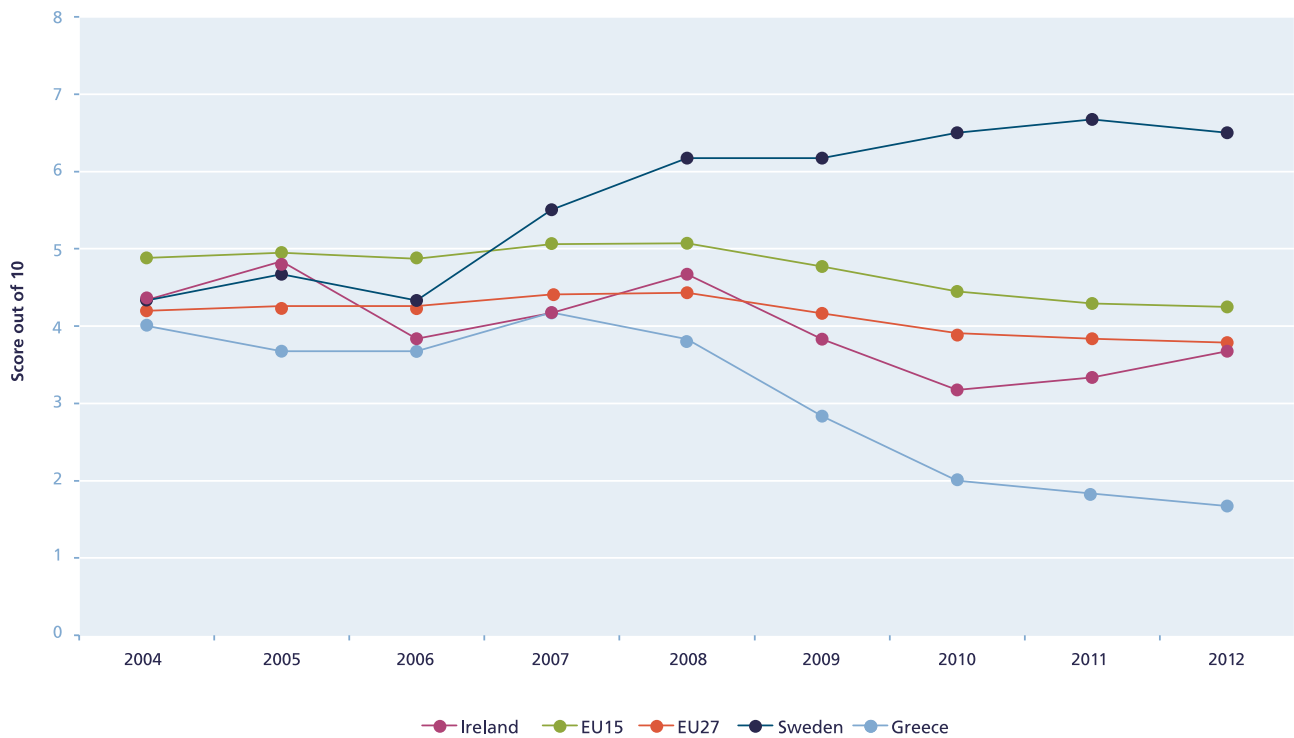


- Respondents to the executive opinion survey carried out by IMD for their World Competitiveness Yearbook indicate that compared to most European countries, bureaucracy in Ireland is seen as less of a hindrance to business activity.
- Only in Sweden, Finland, Denmark and Estonia is bureaucracy seen as less of a hindrance to business activity. The comparative trends have been fairly consistent since 2006, with improvements in the scores for Ireland and the EU averages in 2011 and 2012. By contrast, Greece, the lowest European scorer on this indicator, has seen its score decrease since 2007.

## There is a perception of wastefulness of public spending in Ireland but things are seen as having improved in the last two years

**Figure 16** The composition of public spending is wasteful

Source: WEF Global Competitiveness Report



- Respondents to the WEF Global Competitiveness Report executive opinion survey suggest that there is a perception that Ireland is more wasteful in its public spending than many other European countries.
- There was a worsening of the perception about the wastefulness of public spending in Ireland from 2008 to 2010, with a slight pick up in 2011 which has continued in 2012.
- Ireland's score on this indicator has improved over the last two years and is now close to the EU27 average score, with Ireland ranking 13<sup>th</sup> of the EU27 on this indicator.
- Sweden is seen as having the least wasteful public spending in Europe, a perception that has improved significantly since the early 2000s when it was below the EU15 average. By contrast, Greece scores worst on this indicator.

## Effective implementation of government decisions is seen as improving in the last two years

**Figure 17** Government decisions are effectively implemented

Source: IMD World Competitiveness Yearbook

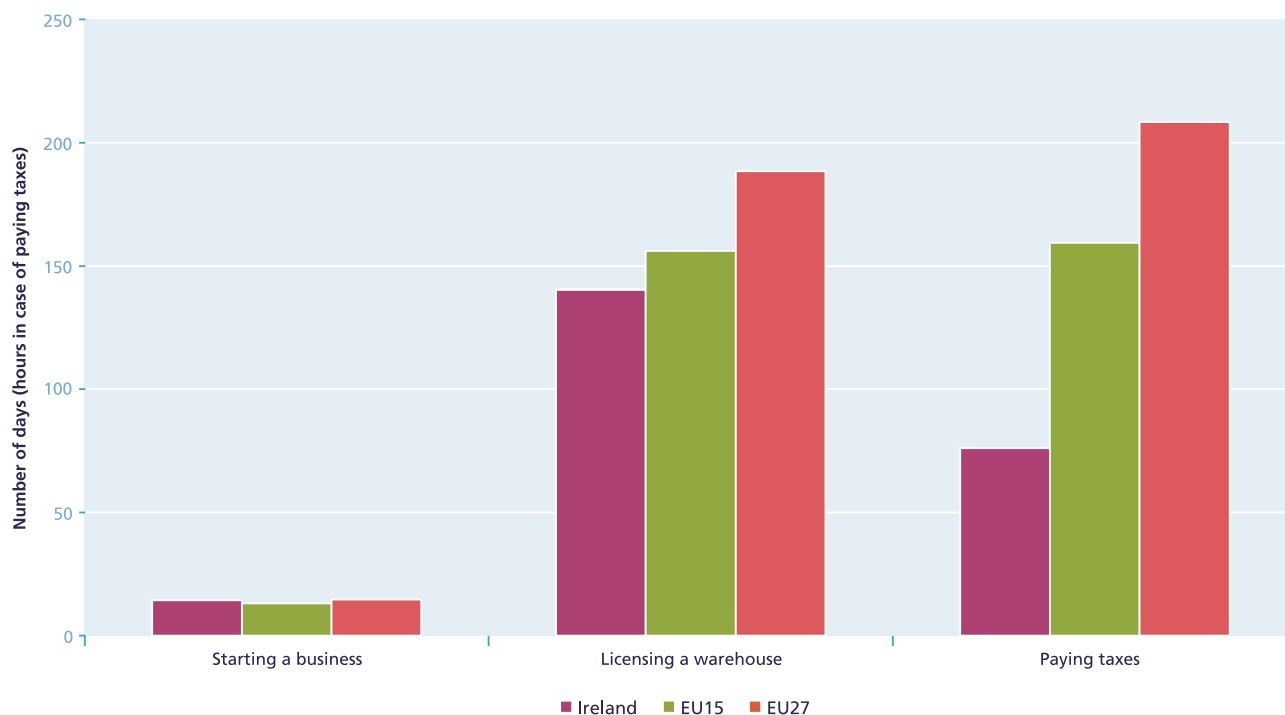


- Respondents to the executive opinion survey carried out by IMD for their World Competitiveness Yearbook indicate that the perception that government decisions are effectively implemented in Ireland has improved in the last two years, after getting worse for a number of years before that.
- In the mid 2000s, Ireland's ranking on this indicator was well above the European average. In 2010, the ranking fell below both the EU15 and EU27 averages. Ireland improved to 8<sup>th</sup> of the EU27 on this indicator in 2012. Sweden scores best on this indicator, followed closely by Finland.

## Ireland's public administration continues to provide a relatively efficient level of service to business

**Figure 18** World Bank Doing Business indicators 2011

Source: WEF Global Competitiveness Report



- 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 has remained at 13 for the last five years, which is the EU15 average (the EU15 average was 15 days in 2010). 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 was estimated at 141 days in Ireland in 2011, down from 192 days in 2010, and lower

than the EU15 average (155 days) and the EU27 average (189 days). The best performers are Finland and Denmark with an estimated 66 days and 67 days respectively.

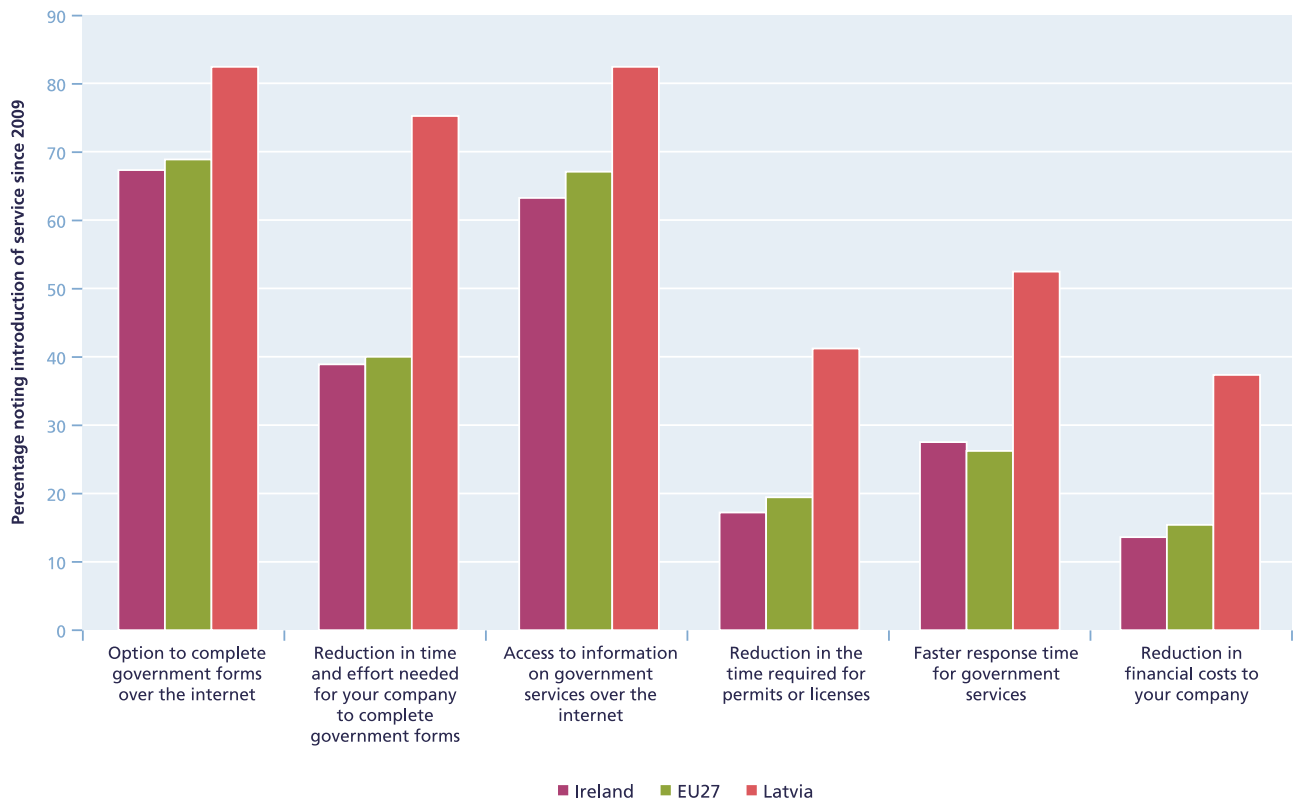
- The number of hours it takes a medium-sized company to pay tax in a given year is estimated as significantly lower in Ireland, at 76 hours, than it is for the EU15 (158 hours) and EU27 (208 hours) averages, though the European averages are coming down while Ireland's performance is static. Ireland 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.



## Public service supports for business innovation are seen as around the European average

**Figure 19** Changes in public services to business to support innovation

Source: Eurobarometer

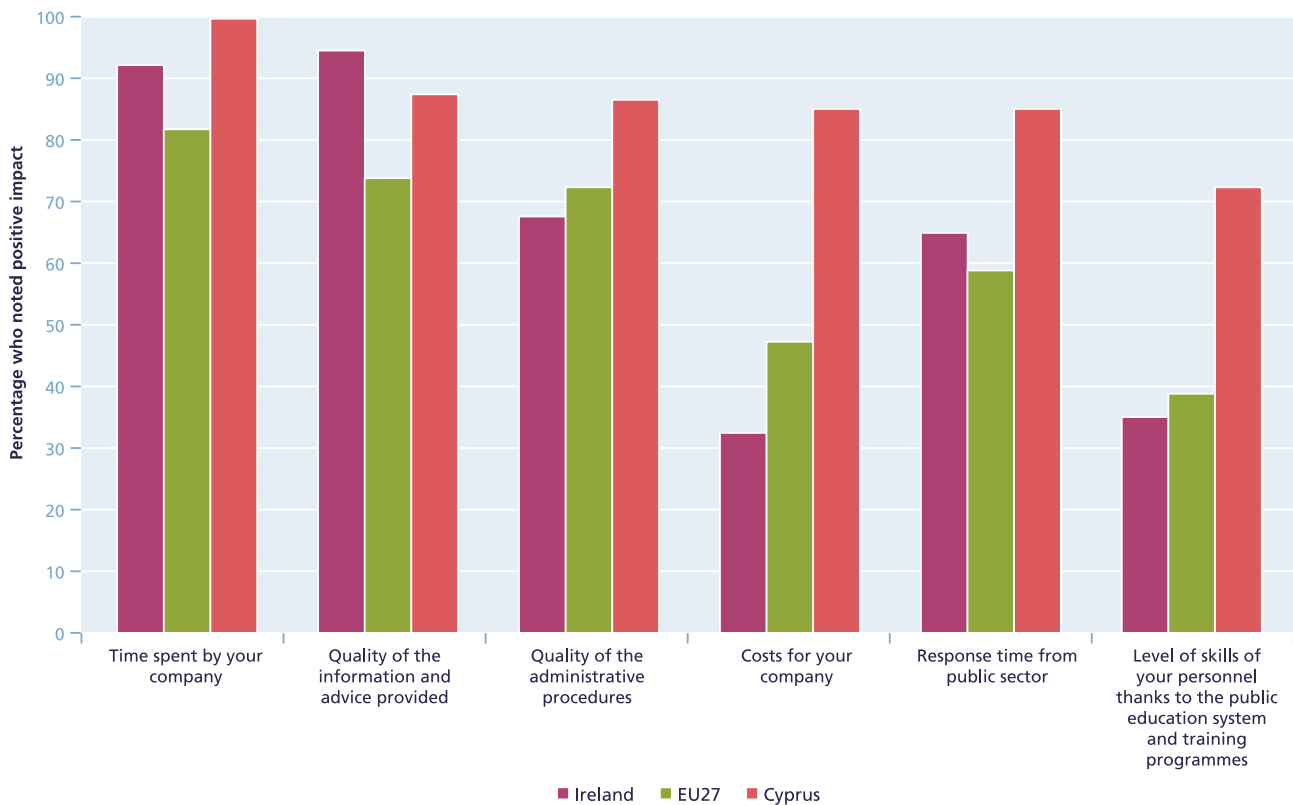


- Ireland is close to, but generally just below, the EU27 average with regard to how changes in public services to businesses to support innovation in recent years are concerned.
- Ireland scores quite well with regard to providing options to complete government forms over the internet and providing access to information on government services over the internet. Though it is still ranked some way behind European leaders in these areas such as Latvia, France, Finland and Slovenia.
- Ireland is rated relatively poorly, as are many other countries, with regard to reductions in time required to obtain permits or licenses, faster response times and securing reductions in financial costs to companies.

## Ireland is rated relatively well with regard to the perceived impact of public service innovations on businesses

**Figure 20** Impact of public service innovations on businesses

Source: Eurobarometer

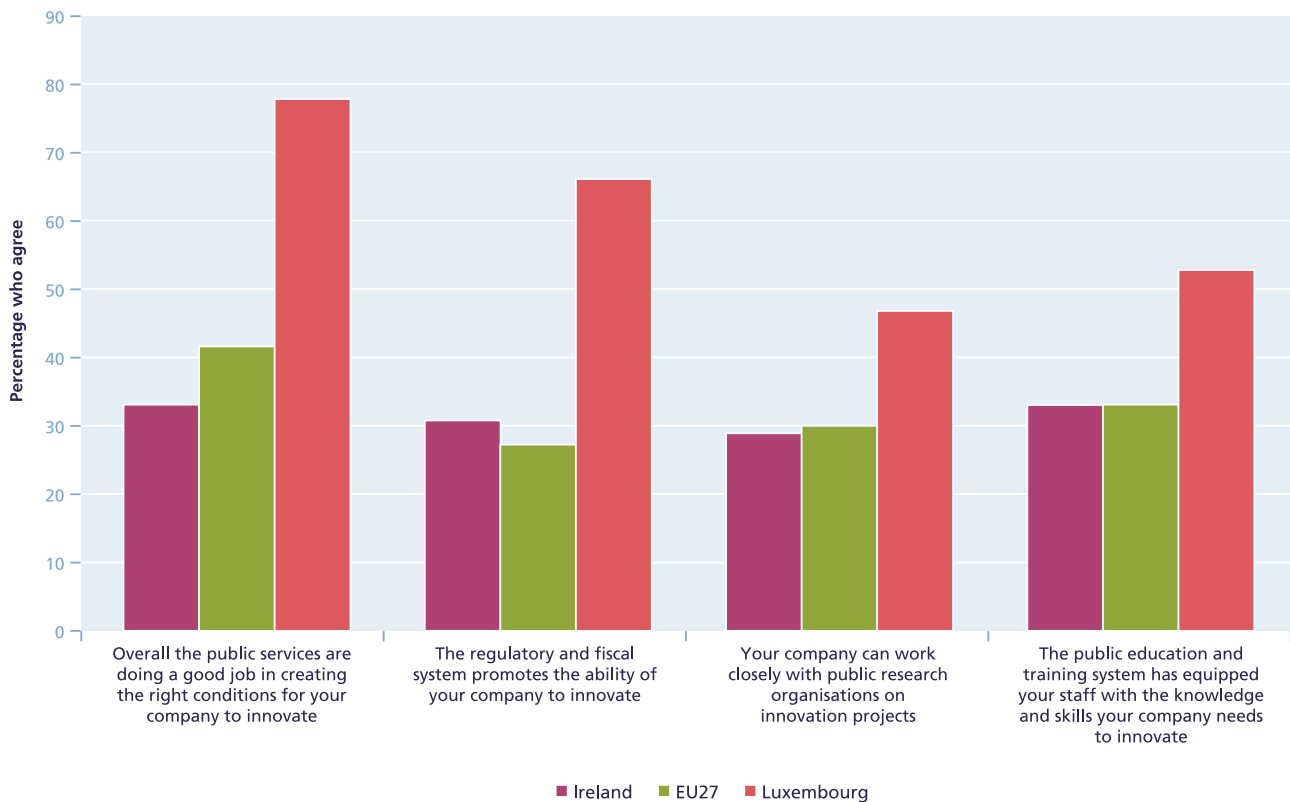


- Ireland rates relatively well compared to many European countries with regard to the perceived impact of public service innovations on business.
- The quality of information and advice provided and minimising the time spent by companies using public services are rated particularly highly. Response time from the public sector is also rated above the European average.
- Ireland rates less well overall and comparatively with regard to the impact of public services on costs for companies, and the role of the public education system and training programmes in supporting the provision of skilled personnel for companies.

## Ireland around the European average in terms of supporting innovation in business

**Figure 21** Business views on public service support for innovation

Source: Eurobarometer

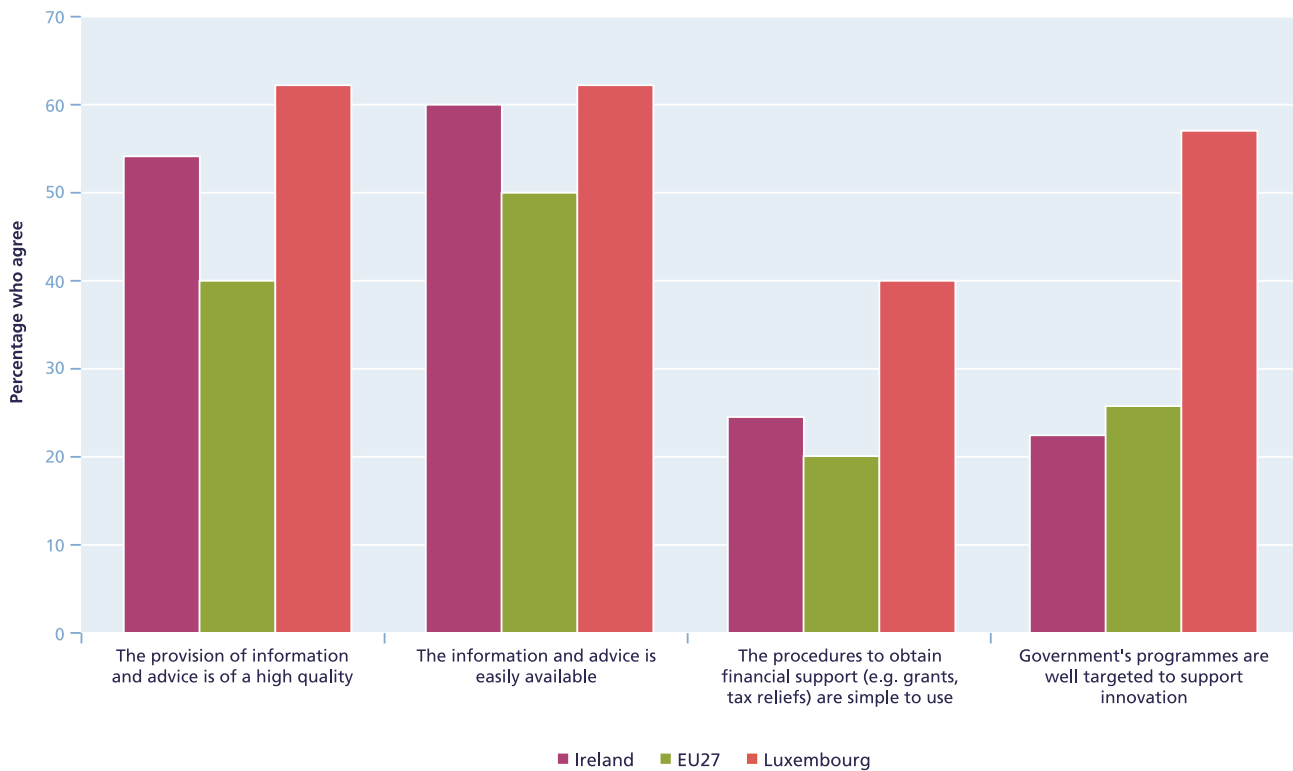


- Ireland is close to the EU27 average with regard to perceived public service support for innovation in businesses.
- Ireland is seen as slightly above the European average with regard to the role of the regulatory and fiscal system in supporting company innovation.
- Ireland is slightly below the European average regarding how public services are seen as doing a good job in creating the right conditions for companies to innovate. Luxembourg, Malta, Finland and Estonia are seen as leading here.

## Ireland ranks well in terms of the quality of public services provided to businesses to help them innovate

**Figure 22** Quality of public services provided to support businesses being innovative

Source: Eurobarometer

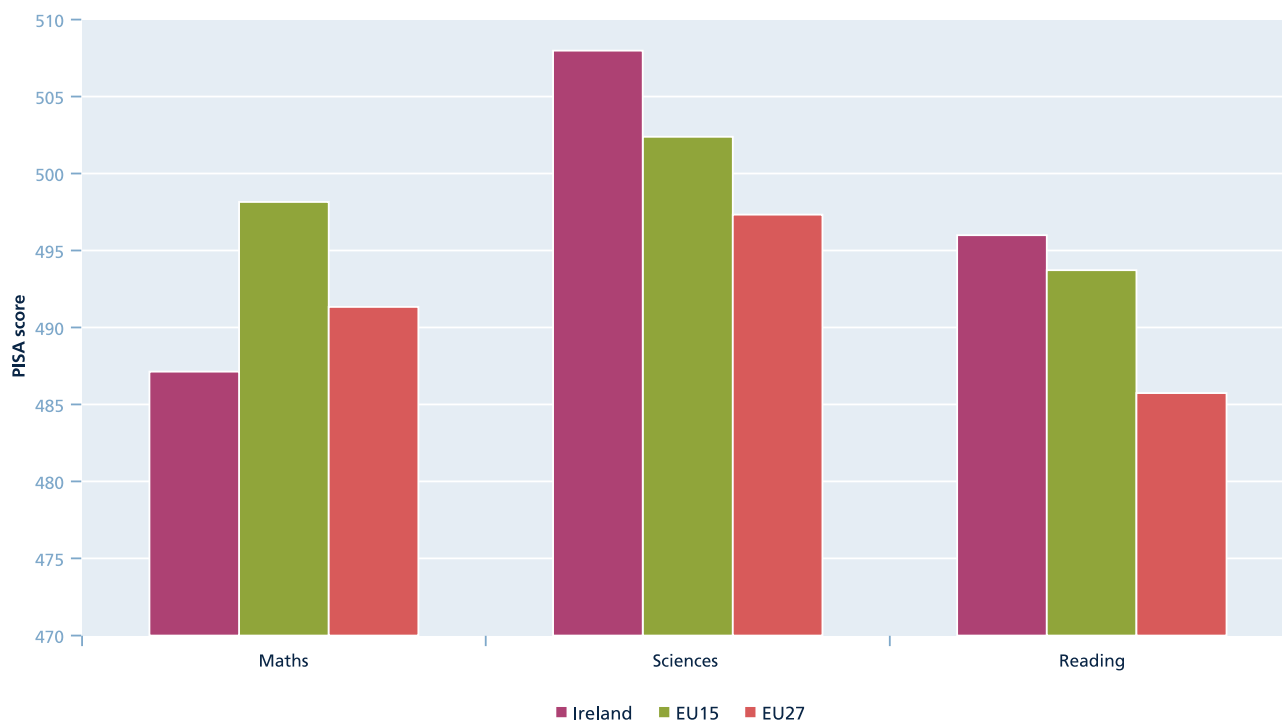


- Ireland scores relatively well with regard to the perceived quality of public services provided to support businesses being innovative.
- The provision of high quality information and advice and accessibility of that information and advice are ranked particularly highly.
- Ireland rates less well (though still around the European average) with regard to the simplicity of procedures for businesses to obtain financial supports and the targeting of government programmes to support innovation.

## Ireland's educational attainment scores declined in 2009 compared to European average

**Figure 23** PISA educational assessment scores 2009

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 2009 PISA survey shows that Ireland has a higher ranking than the European average in sciences and reading, but a lower ranking than average in maths. Finland is the highest ranked European country in all three categories.
- From 2006, when the previous PISA survey was conducted, Ireland's score and ranking has dropped in both maths and reading, and particularly in maths. Ireland was ranked 11<sup>th</sup> of the EU15 in maths in 2009, compared with 8<sup>th</sup> in 2006.

## Secondary school enrolment is somewhat behind the European average

**Figure 24** Secondary school enrolment

Source: IMD World Competitiveness Yearbook

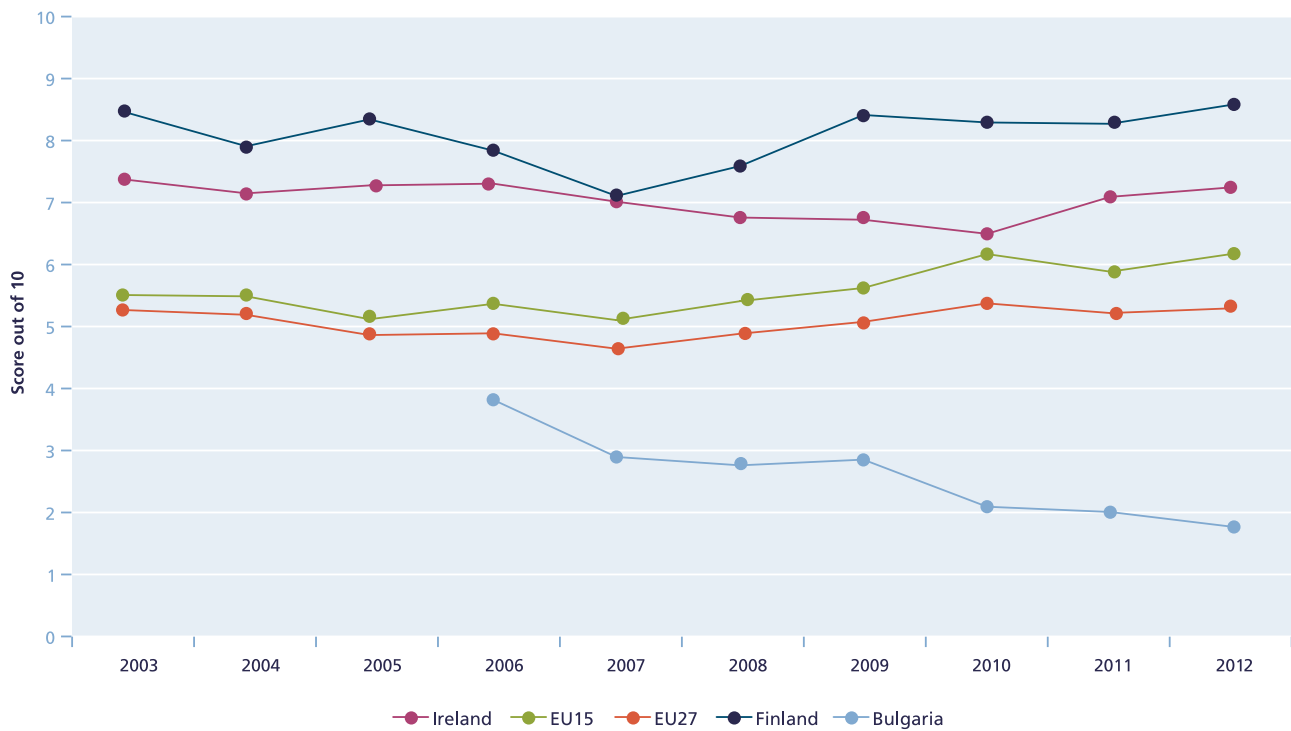


- In 2009, the last year for which comparative data is available, the percentage in full-time education in Ireland was 89 per cent, compared to 93 per cent average for the EU15.
- The percentage in full-time education has been consistently rising in Ireland in recent years. But it is still somewhat below the European average. France, Slovakia and Sweden had the best enrolment rates in 2009.

## Ireland's competitive advantage in the perception of its education system by executives improved in the last two years

**Figure 25** The education system meets the needs of a competitive economy

Source: IMD World Competitiveness Yearbook

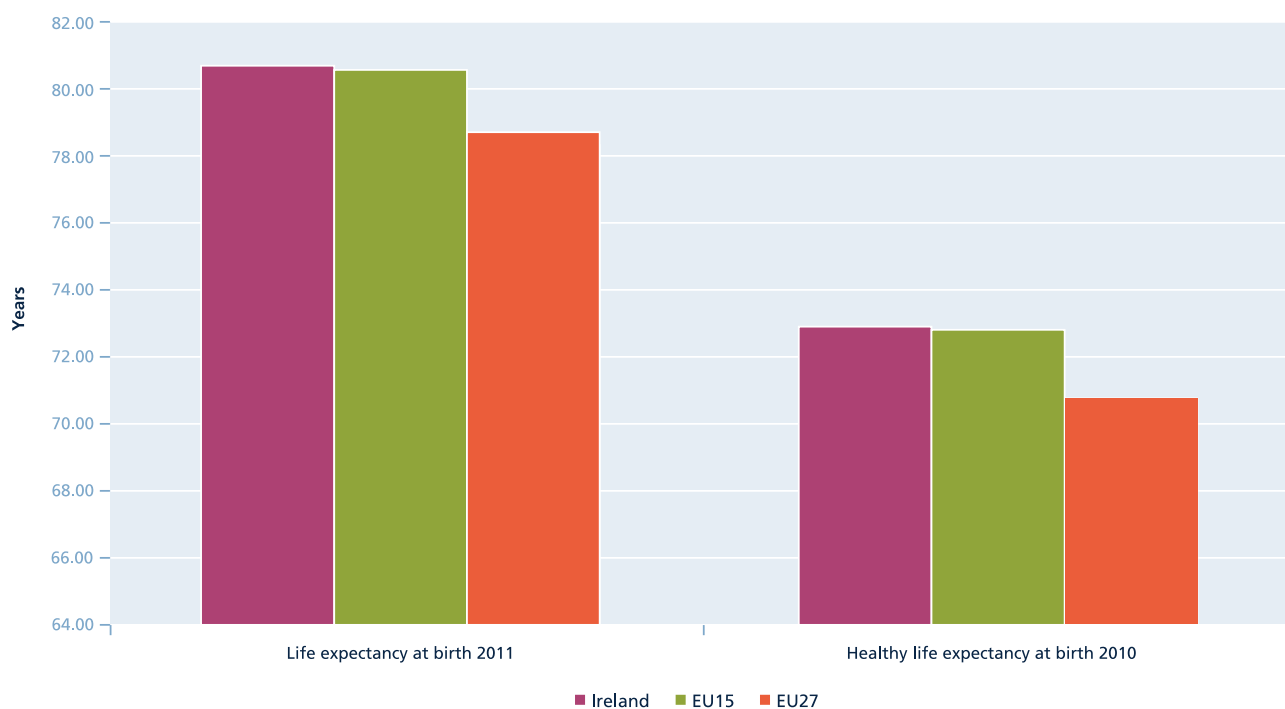


- Executive opinion about the role of the educational system in meeting the needs of a competitive economy is one (though only one) important indicator of how well the education system is functioning.
- From 2001 to 2010 the Irish education system has been seen by those executives completing the survey as better than the European average in meeting the needs of a competitive economy. However, the gap was closing and in 2010 Ireland's score was close to the EU15 average.
- In 2011 and 2012, the opinion of executives that Ireland's education system meets the needs of a competitive economy improved. Ireland ranked third European country on this indicator in 2012, behind Finland and Denmark.

## Life expectancy is around the European average

**Figure 26** Life expectancy

Source: WHO, WHOSIS (life expectancy); IMD World Competitiveness Yearbook (healthy life expectancy)



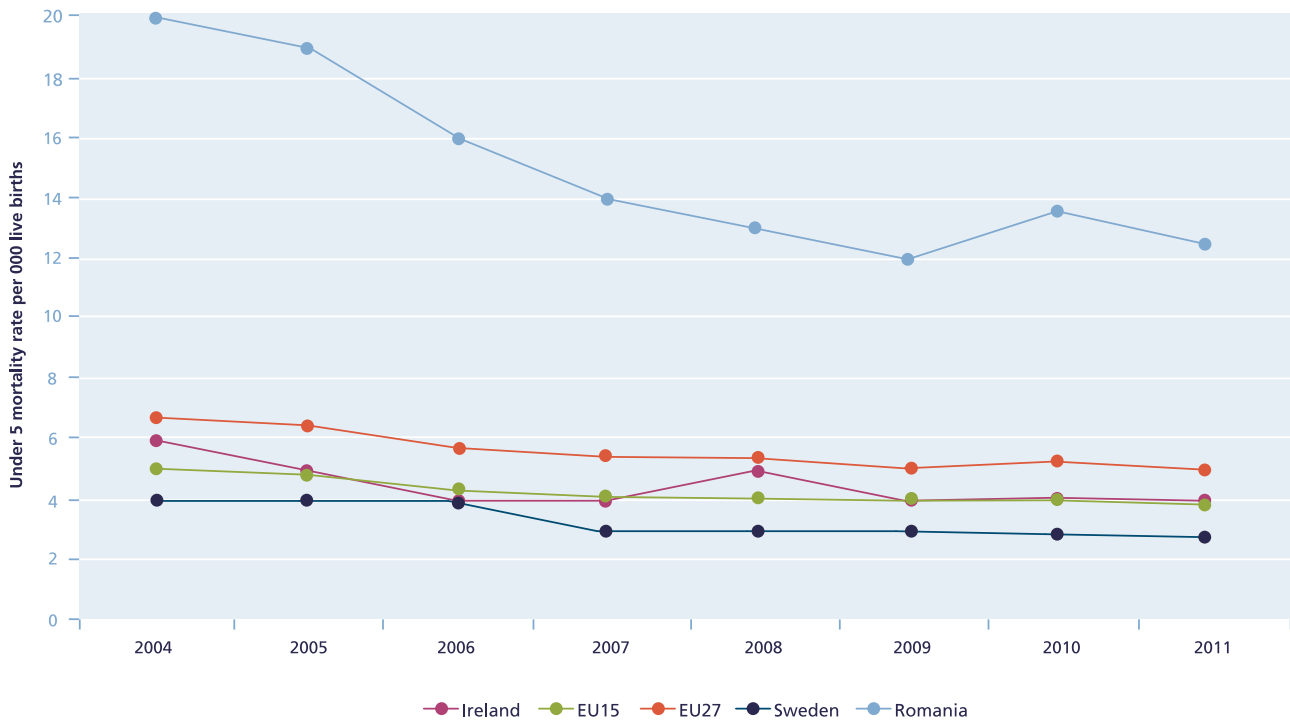
- Life expectancy at birth in 2009 at 80 years was just around the average for the EU15 and better than the EU27 average.
- Healthy life expectancy at birth (the average number of years that a person can expect to live in 'full health') in 2009 in Ireland was 73 years, around the EU15 average.



## Child mortality is around the European average

**Figure 27** Child mortality

Source: WHO, WHOSIS

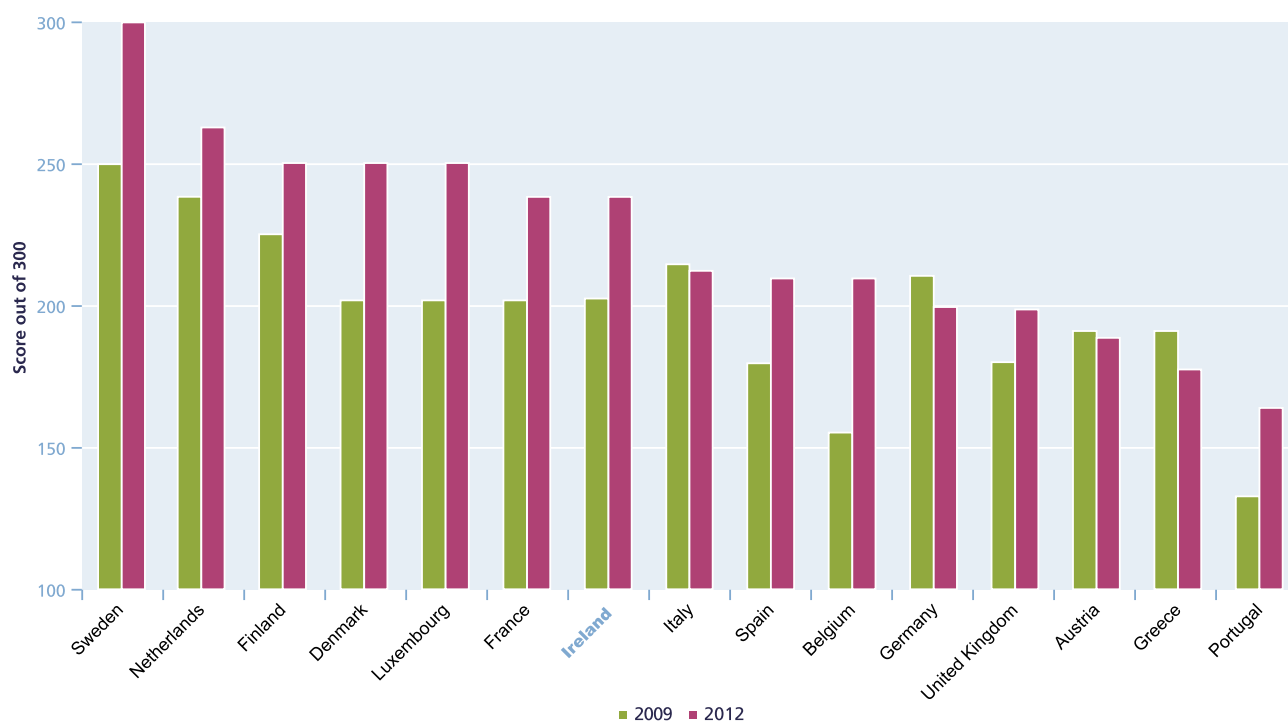


- Under 5 infant mortality per 1000 live births in Ireland has fallen from 6 in 2004 to 4 in 2011.
- For most countries in the EU15 the infant mortality rate is around 3 or 4 per 1000 live births. Sweden had the lowest mortality rate at 2.8 in 2011, and Romania the highest at 12.5.

## Ireland ranks around the EU15 average in achieving desirable health outcomes

**Figure 28** European consumer health outcomes index

Source: Euro Health Consumer Index 2012



- The Euro Health Consumer Index 2012 (Health Consumer Powerhouse 2012) includes a composite 'basket' measure of a sub-set of indicators focused on health outcomes<sup>13</sup>. The higher the score on this index, the better the outcomes.
- As with most other European countries, Ireland improved its score on this outcomes index between 2009 and 2012.
- Ireland ranks around the EU15 average on this health outcomes index. Sweden, the Netherlands and Finland achieve the top three rankings.

<sup>13</sup> The outcomes measured in 2012 are: heart infarct case mortality; infant deaths; ratio of cancer deaths to incidence; preventable years of life lost; mrsa infections; caesarean sections; undiagnosed diabetes; depression.

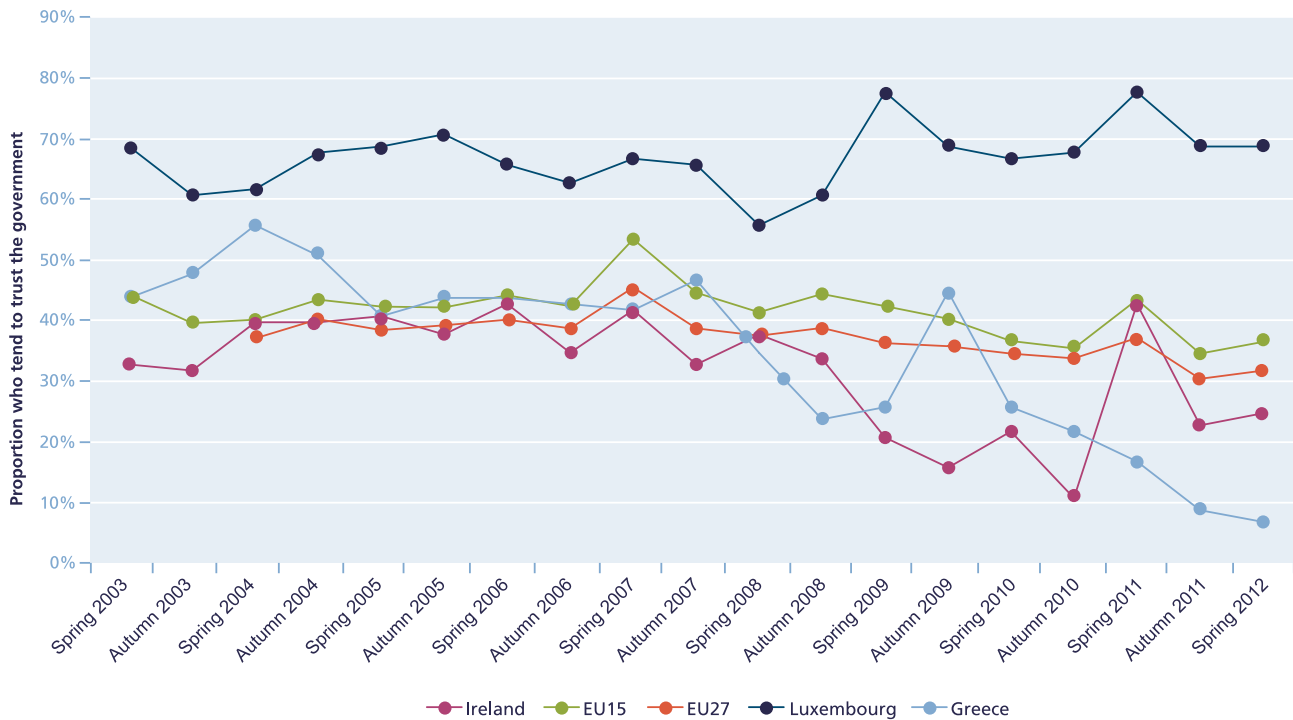
## 5. | Trust and confidence in public administration

Twice a year Eurobarometer measures the level of public confidence in the national government and the national 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. Periodic surveys of trust in regional and local authorities by Eurobarometer are also examined.

## Trust in government remains volatile

**Figure 29** Level of trust in government

Source: Eurobarometer

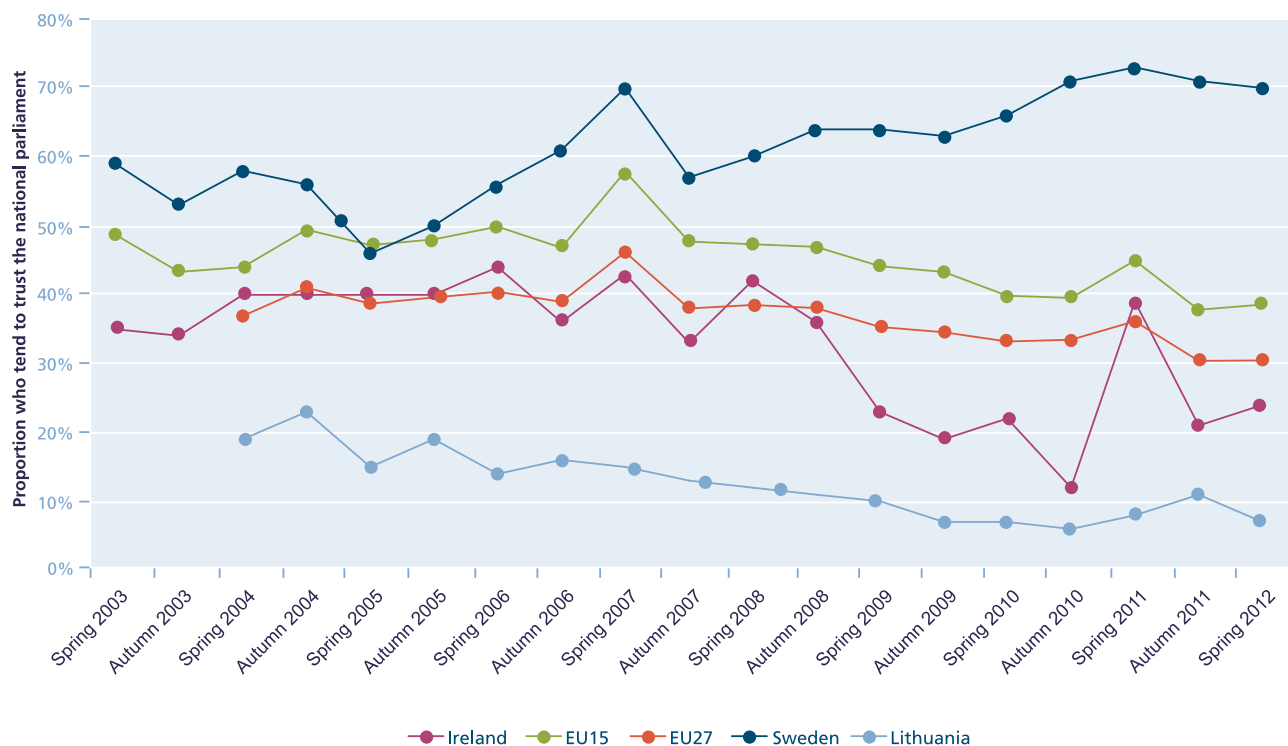


- The level of public trust in government in Ireland tended to be slightly below the EU15 average from 2001 to 2008, and at or around the EU27 average from 2004 to 2008.
- However, there was a dramatic fall in the level of trust in government in Ireland from 2008 to 2010. Trust in government in the rest of Europe also fell, but only slightly. In autumn 2010, Ireland expressed the lowest level of trust in government of any of the EU27 (10 per cent).
- By spring 2011, the level of public trust had increased significantly to 42 per cent expressing trust in the Irish government, close to the EU15 average. This fell back to 22 per cent by autumn 2011 and 24 per cent in spring 2012.

## Trust in parliament remains fragile

**Figure 30** Level of trust in national parliament

Source: Eurobarometer



- The level of trust in national parliament has, on average, fallen in Ireland and in most of the rest of Europe from 2001 to 2010.

- Irish trust in parliament was lower than the EU15 average and was around the EU 27 average until 2008.

- From 2008 to 2010, as with trust in government, trust in parliament dropped rapidly both in absolute terms and compared to European averages. Ireland had the second lowest level of trust in parliament in the EU15 in autumn 2010 (behind Spain).

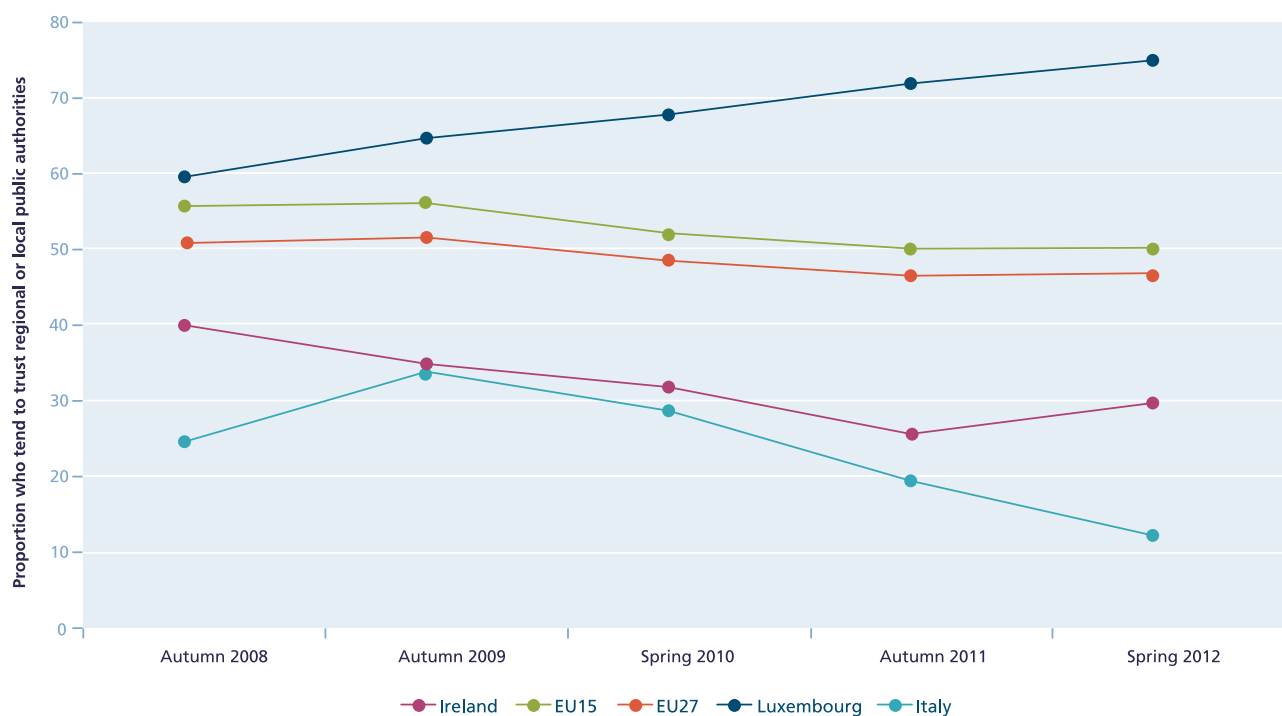
- In spring 2011, respondents who expressed trust in the Irish parliament was back above the EU27 average, at 39 per cent, but still below the EU15 average. This level of trust fell again to 21 per cent in autumn 2011, and increased slightly to 24 per cent in spring 2012.

- The Nordic countries of Sweden, Denmark and Finland display the highest levels of trust in their national parliaments.

## Trust in regional and local authorities is low

**Figure 31** Level of trust in regional or local public authorities

Source: Eurobarometer



- The level of trust in regional and local authorities in Ireland was at 26 per cent in 2011, down from 40 per cent in 2008. It increased slightly to 30 per cent in spring 2012.
- This is one of the lowest levels of trust in the EU. Only Greece, Italy and Spain report lower levels of trust in local authorities in 2012.

## 6. | Conclusion

In terms of overall performance, the data presented in this paper would tend to suggest that the quality of Ireland's public administration remains close to the average for the European Union. Indeed, there are some signs that aspects of quality are seen as having improved in the last two years. This is a notable achievement for a small state such as Ireland, especially at a time of reducing numbers of public servants and limited resources available for public services.

Knowing where we rank in Europe can point out areas where we need to improve, and identify countries we might learn from. Many of the indicators used here are based on people's perceptions of the public service and are clearly influenced by general economic, political and cultural conditions rather than necessarily any actual change in service. Nevertheless, such indicators are important in that perceptions influence how people see Ireland as a place to live, do business and invest. Findings emerging in this light include:

- Numbers employed in the public sector continue to fall. As a percentage of total employment, public service numbers are not excessive by European standards. As the population continues to increase (placing increasing demands on public services) and as numbers are reduced further to meet fiscal and economic targets, the challenge of maintaining services and the skills and capacity needed to provide those services increases. This focuses particular attention on the need for process improvement to enhance efficiencies and for reducing programme expenditure in some areas.
- The local authority and justice sectors have been particularly hit by staffing reductions. Capacity development in these areas is of pressing concern.
- The Exchequer pay bill continues to decline from its high in 2008. But the pensions bill is increasing as numbers leaving and taking early retirement impact on the bill. The need for fiscal discipline to be maintained in these areas remains.
- Given the reductions in numbers and public expenditure, perceptions of the quality of public administration have held up remarkably well. Irish public services are seen as relatively un-bureaucratic compared to most European countries. The quality of services to businesses is ranked relatively highly. There is much of Irish public service provision that is seen in a positive light despite the challenges being faced.
- Trust in government and parliament remains fragile, and trust in local government is low. Much remains to be done to re-build and maintain the trust of the Irish people in government.

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# Appendix 1:

## Indicators used to make up the IPA Public Administration Quality indicator

	DATA SOURCE & INDICATOR	DESCRIPTION
Traditional Public Service Values Indicator(TPSVI)	Government Decisions (IMD 2.3.10) <sup>i</sup>	Government decisions are effectively implemented
	Justice Processes (IMD 2.5.01)	Justice is fairly administered
	Judicial Independence (WEF 1.06)	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 2.3.13)	Existence of bribery and corruption
	Favouritism in Decisions of Government Officials (WEF 1.07)	When deciding upon policies and contracts, government officials are neutral
	Transparency (IMD 2.3.11)	Government policy is transparent
	Wastefulness of Government Spending (WEF 1.08)	The composition of public spending is wasteful
	Reliability of Police Services (WEF 1.17)	Police services can be relied upon to enforce law and order

<sup>i</sup> Numbers in brackets here refer to the numbering used in the IMD World Competitiveness Yearbook 2012 and WEF Global Competitiveness Report 2012-2013

	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 2.4.04)	Public sector contracts are sufficiently open to foreign bidders
	Ease of Doing Business (IMD 2.4.13)	The ease of doing business is supported by regulations
	Intellectual Property Rights (IMD 4.3.21)	Intellectual property rights are adequately enforced
	Public and Private Sector Ventures (IMD 4.2.17)	Public and private sector ventures are supporting technological developments
	Bureaucracy (IMD 2.3.12)	Bureaucracy hinders business activities
	Burden of Government Regulation (WEF 1.09)	Complying with administrative requirements (permits, regulations, reporting) issued by government is burdensome

