

Research Paper N°6

Public Sector Trends 2011

Richard Boyle



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Deirdre Mooney, Administrative Assistant at the Institute of Public Administration, provided much of the administrative support and back up in the production of many of the charts used in the report.

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. It builds on the first *Public Sector Trends* report produced by the Institute last year. 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
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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. It can be argued that this is a reasonably creditable and credible position for a small state such as Ireland, especially as the economic downturn since 2008 has impacted significantly on the figures displayed here and sets the context for the interpretation of the data presented.

The size and cost of the public sector

- Ireland's government expenditure as a percentage of GDP used to be low compared to most European countries, but increased to around average for the EU27 countries in 2009. In 2010 expenditure as a percentage of GDP rose to one of the highest in Europe, due in large part to the government's support for the banks affecting the figures in that year.
- Public expenditure per head of population is growing significantly faster than the EU 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 just under 6 per cent in each case. Numbers employed in the public sector and public service in 2011 are back just below 2006 levels of employment.
- Two out of every three people employed in the public service work in either health or education. In 2011, there were approximately 105,000 people employed in the health sector and 93,000 people employed in the education sector.
- 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.
- Another 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 and pensions bill more than doubled from €8.632bn in 2000 to €18.753bn in 2008. But from 2008 to 2011, 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. It was €17.127bn in 2011.
- The health and education sectors account for the vast majority of the Exchequer pay bill. In 2011, the health pay bill (€6.216bn) was 42.2 per cent of the total and the education pay bill (€4.902bn) accounted for 33.3 per cent of the total. The health sector share has declined in the last couple of years.
- The compensation of top and middle managers in central government is towards the higher end of European norms, based on OECD data from 2009. By contrast, the compensation of administrative staff (secretaries) is towards the lower end of European norms.
- On average, top managers compensation in the UK and Ireland in 2009 was 7.7 times that of administrative staff (secretaries) whereas for the Nordic countries top managers compensation was 3.5 times that of secretaries. Similarly middle managers compensation was 4.2 times that of secretaries in the UK and Ireland whereas it was 2.2 times greater in the Nordic countries. The Nordic countries have a much flatter compensation structure (particularly Finland and Sweden), whereas the UK and Ireland have opted for higher compensation at the higher levels.

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. The upholding of 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. Ireland's public administration is seen as relatively good in encouraging competition

and providing a supportive regulatory environment.

- 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 was declining over that time period, and in 2009 fell below the EU15 average. Against the World Bank regulatory quality indicator, however, Ireland's score remained well above the European average in 2009.
- An index of management capacity developed by the Bertelsmann Stiftung (foundation) suggests that the management capacity of the Irish government is slightly below the EU15 average.
- The Bertelsmann Stiftung indicators suggest that Ireland is doing reasonably well in relation to the communication and coordination of policy and strategy. Policy implementation, however, is identified as a particularly challenge, with coordination and control of line ministries and monitoring of agencies identified as particular weaknesses. With regard to accountability, parliamentary oversight is also seen as relatively weak, despite a strengthening of the role of parliamentary committees.

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. But the same surveys show that there is a growing perception that the composition of government spending is wasteful. And that the implementation of government decisions is seen to be worsening relative to other European countries.
- 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.
- In terms of high-level sectoral outcomes, Ireland's scores have 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. In health, life expectancy and infant mortality are around the European average. Similarly against a 'basket' of outcomes assessed by the Euro Health Consumer Index Ireland appears around the EU15 average.

Trust and confidence in public administration

- Trust in government hit an all time low in 2010 of 10 per cent, the lowest trust rating in all of the EU27. However, trust levels had recovered to 42 per cent by spring 2011, above the EU27 average and close to the EU15 average.
- 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 2011, above the EU27 average but still some way below the EU15 average. The Nordic countries of Sweden, Denmark and Finland display the highest levels of trust in their national parliaments.

Conclusions

- The growth in public spending is an issue that needs particular attention. While there are particular factors associated with support for the banks that affect the 2010 figures, the need for action is clear. The government's comprehensive review of expenditure will have an important role in setting out sustainable levels of public spending for the coming years.
- However, numbers employed in the public sector, as a percentage of total employment, are not excessive by European standards. As numbers are reduced further to meet fiscal and economic targets, there is a need to closely examine and plan for the impact on retaining vital skills, knowledge and capacity in the public service.
- The Exchequer pay and pensions bill has reduced from its high in 2008. This fiscal discipline will need to be maintained. Compensation of public servants is an important element in overall expenditure decisions.

It is interesting to note that compensation rates vary significantly from top levels to bottom levels in central government, with a much bigger gap than the Nordic countries.

- Perceptions of the quality of Irish public administration suggest particular strengths and limitations compared to our European partners. Strengths include services to business, and the provision overall of sound policies and regulations. Weaknesses include strategic consultation with interest groups (with the collapse of social partnership), policy implementation and political oversight. Denmark and Sweden are particularly strong in these areas.
- Trust in government and parliament has recovered after falling to an all time low. The active engagement of citizens in the design, delivery and monitoring of services can further build trust in government and public services.

Early in 2011 the Institute of Public Administration produced a major research paper on public service reform entitled *Fit for Purpose?* (Boyle and MacCarthaigh, 2011) which identified a number of key challenges and possible solutions for the public service. The information provided in this trends report supports the main findings of *Fit for Purpose?* In particular, the need for initiatives to focus on productivity improvements, capacity development amongst public servants, and for a renewed focus on policy implementation, all issues raised in *Fit for Purpose?*, are highlighted as challenges for the public service reform programme.

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 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 efficiency¹, a study by the Netherlands Social and Cultural Planning Office (SCP) of comparative public sector performance², the World Bank governance indicators project³, the OECD Government at a Glance project⁴, and an IPA study comparing public administrations⁵.

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

¹ Afonso et al (2003)

² Social and Cultural Planning Office (2004)

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

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

⁵ Boyle (2007)

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 service⁶. Government expenditure as a share of GDP/GNI⁷, 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. Data on the compensation of central government employees is provided by the OECD.

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

⁷ 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 has grown rapidly in recent years both absolutely and when compared to the rest of Europe

Figure 1 General government expenditure as share of GDP/GNI

Source: CSO; Eurostat



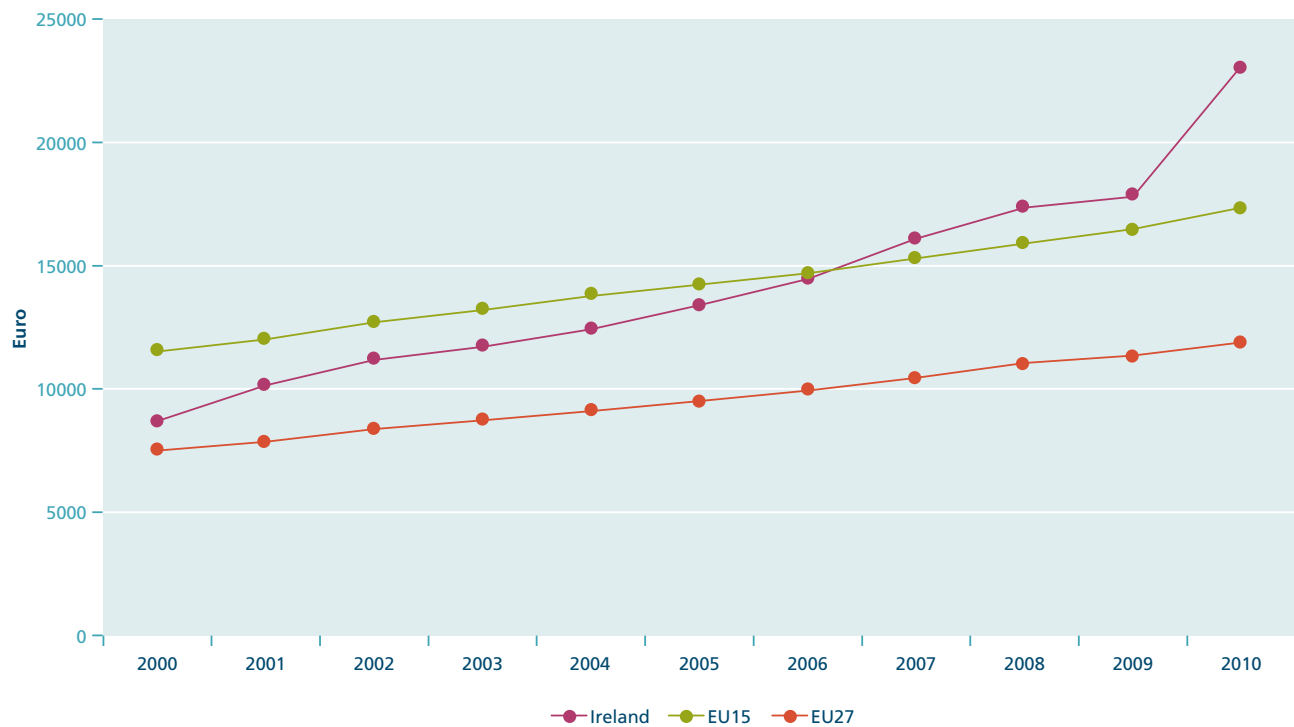
- A commonly used indicator of public spending in the economy is expenditure as a percentage of GDP (gross domestic product). Historically, using this indicator, Ireland is shown as having a very small share of public spending compared to most EU countries.
- However, from 2008, as GDP shrank as a result of the recession in Ireland, Ireland's government expenditure as a percentage of GDP has increased rapidly. Government expenditure reached 67 per cent of GDP in Ireland in 2010, whereas it was among the countries with the lowest levels until 2008. The particularly large jump from 2009 to 2010 is largely explained by the impact on government expenditure of specific government support to banks during the financial crisis, in the form of capital injections.
- 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 figure⁸. 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 2010, government expenditure as a percentage of GNI was at 80 per cent, making Ireland highest in the EU on this indicator.

⁸ See for example Foley (2009), pp.75-76.

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

Figure 2 General government expenditure per head of population

Source: Eurostat

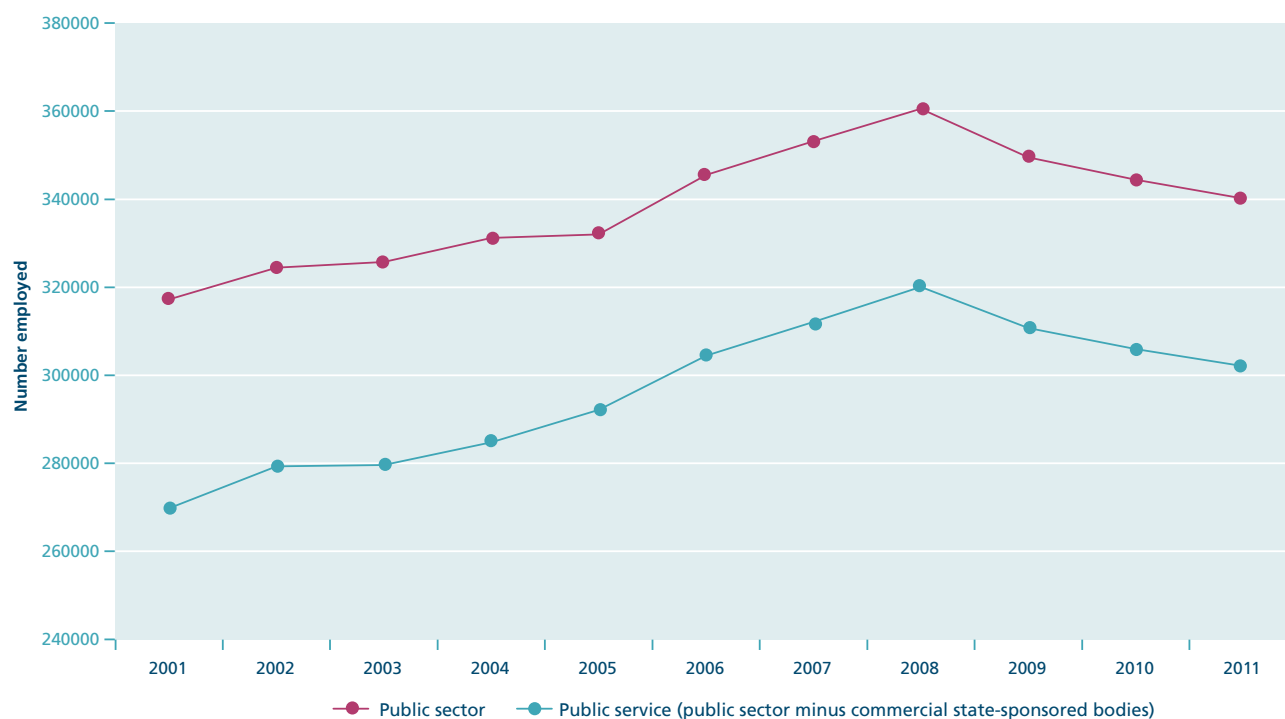


- An alternative way of looking at the relative size of public spending is to examine government expenditure per head of population.
- Up to 2006, Ireland's public expenditure per person was below the EU15 average (but above the EU27 average). The effect of government support for the banks is clearly visible on the impact on the figures for 2010, when government expenditure per person in Ireland was the third highest in Europe, behind Luxembourg and Denmark.

Numbers employed in the public sector grew rapidly up to 2008 but have been declining since then

Figure 3 Numbers employed in the public sector and public service

Source: Department of Finance, Budgetary and Economic Statistics

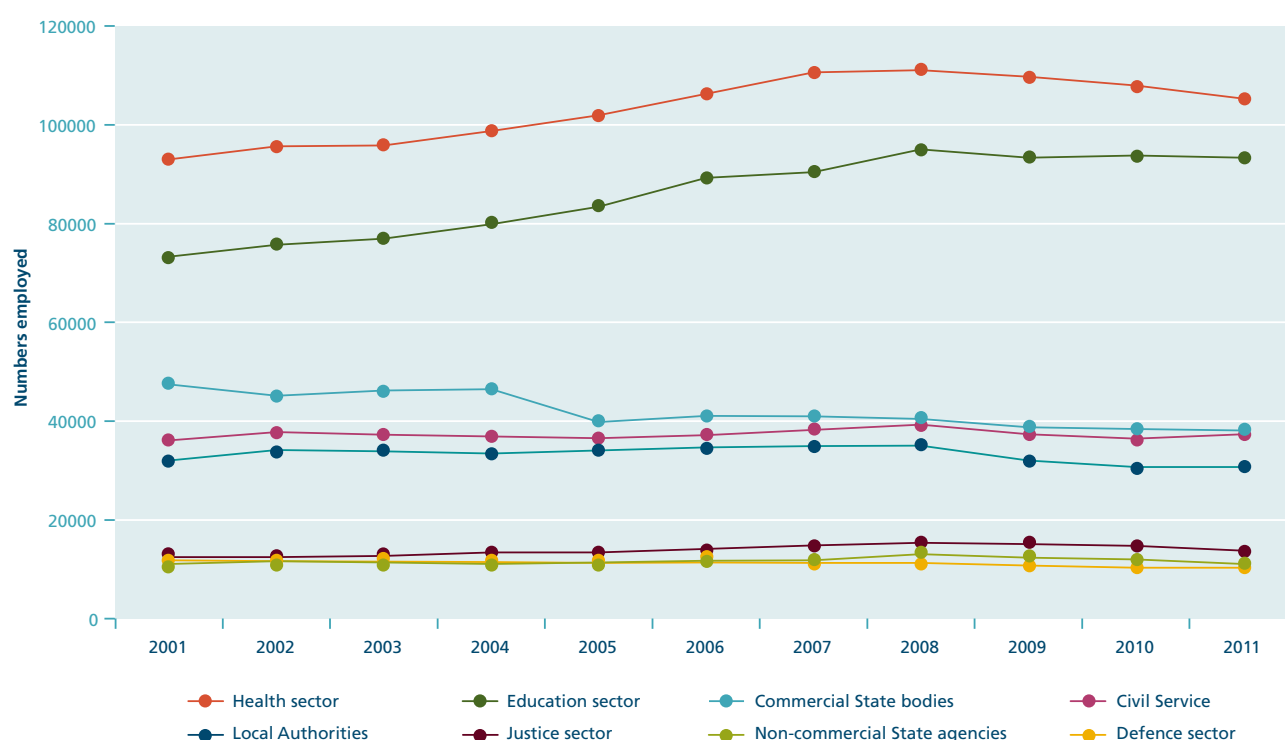


- The total number of people employed in the public sector grew from around 317,000 in 2001 to 360,000 in 2008, a growth of 14 per cent.
- Excluding commercial state-sponsored bodies, the numbers employed in the public service grew from 270,000 in 2001 to 320,000 in 2008, a growth of 19 per cent.
- There has been a significant drop in the numbers employed in both the public sector and public service from 2008, with a drop of just under 6 per cent in each case. Numbers employed in the public sector and public service in 2011 are back just below 2006 levels of employment.

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

Figure 4 Public sector employment by sector

Source: Department of Finance, Budgetary and Economic Statistics

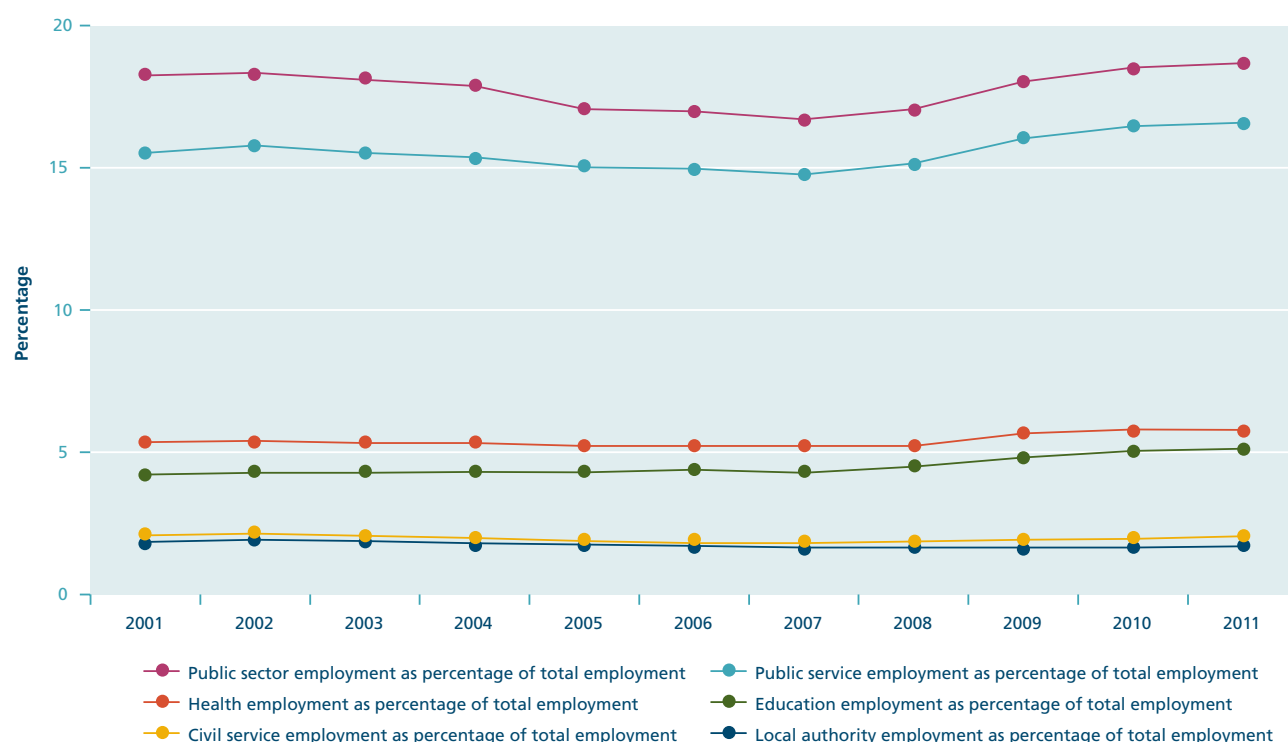


- Growth in public sector numbers from 2001 to 2008 was primarily concentrated in the health and education sectors.
- Two out of every three people employed in the public service work in either health or education. In 2011, there were approximately 105,000 people employed in the health sector and 93,000 people employed in the education sector.
- Numbers employed in the civil service, local authorities, the justice sector, and non-commercial state-sponsored agencies have remained relatively stable over the period from 2001 to 2011. Numbers rose slightly from 2001 to 2008 but have declined since then.
- The defence sector, commercial state bodies sector, and local authorities have seen numbers employed fall between 2001 and 2011.
- Those employed in non-commercial state-sponsored bodies (so called quangos) account for just under 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.⁹
- 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 2011. 19 per cent of the workforce was made up of public sector workers in 2011.
- 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. 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.

⁹ 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 been declining in recent years 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

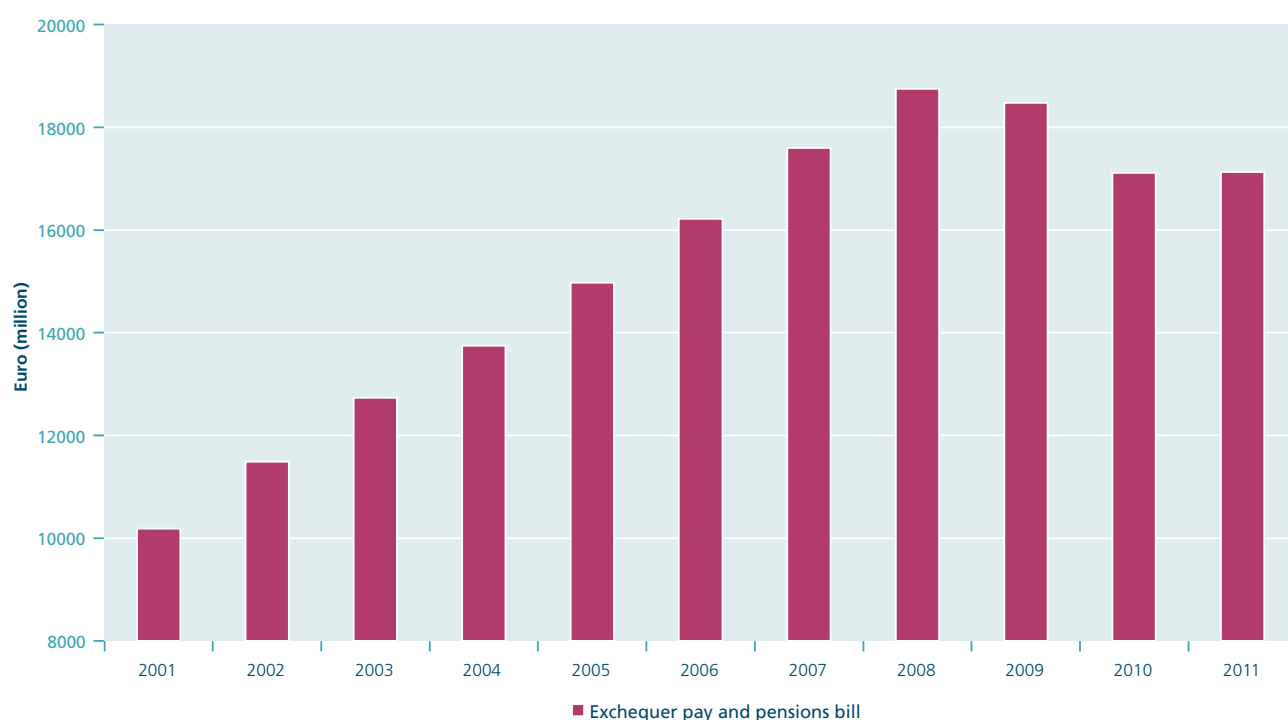


- Public sector employment relative to the population was relatively stable at around 80 public sector employees per 000 population, but has been dropping since 2008 and was at 76 public sector employees per 000 population in 2011.
- Public service employment is around 67 public servants per 000 population, also showing a 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 and pensions bill has been reduced and stabilised in the last couple of years

Figure 7 Exchequer pay and pensions bill

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



- The Exchequer pay and pensions bill rose from just over €10bn in 2001 to €18.753bn in 2008.
- From 2008 to 2011, 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 €17.127bn, remaining roughly stable between 2010 and 2011.
- The pay and pensions bill has decreased in all sectors between 2008 and 2011, most rapidly proportionately in the health sector (a decrease of 11.9 per cent). In all other sectors the decrease was between 5 and 7 per cent.

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

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

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

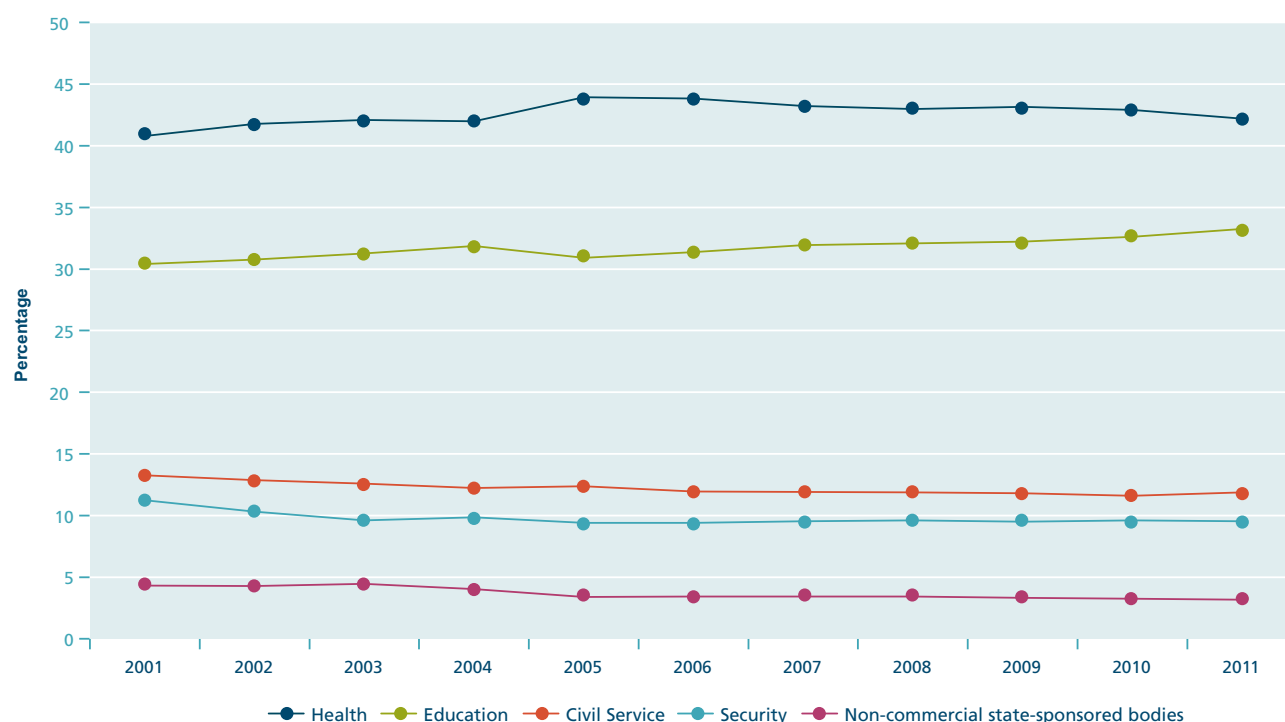


- Up to 2007, despite the increase in the Exchequer pay and pensions bill, as a percentage of GDP and GNP it had held relatively steady, at around 9 per cent of GDP and 10-11 per cent of GNP.
- In 2008 and 2009, as the recession hit, the percentage of GDP and GNP taken up by the Exchequer pay and pensions 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, rising again by a small proportion in 2011 for GDP but still below 2009 levels.

The health and education sectors account for the major share of the Exchequer pay bill, though the health sector share has declined in recent years

Figure 9 Sectoral share of Exchequer pay bill

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

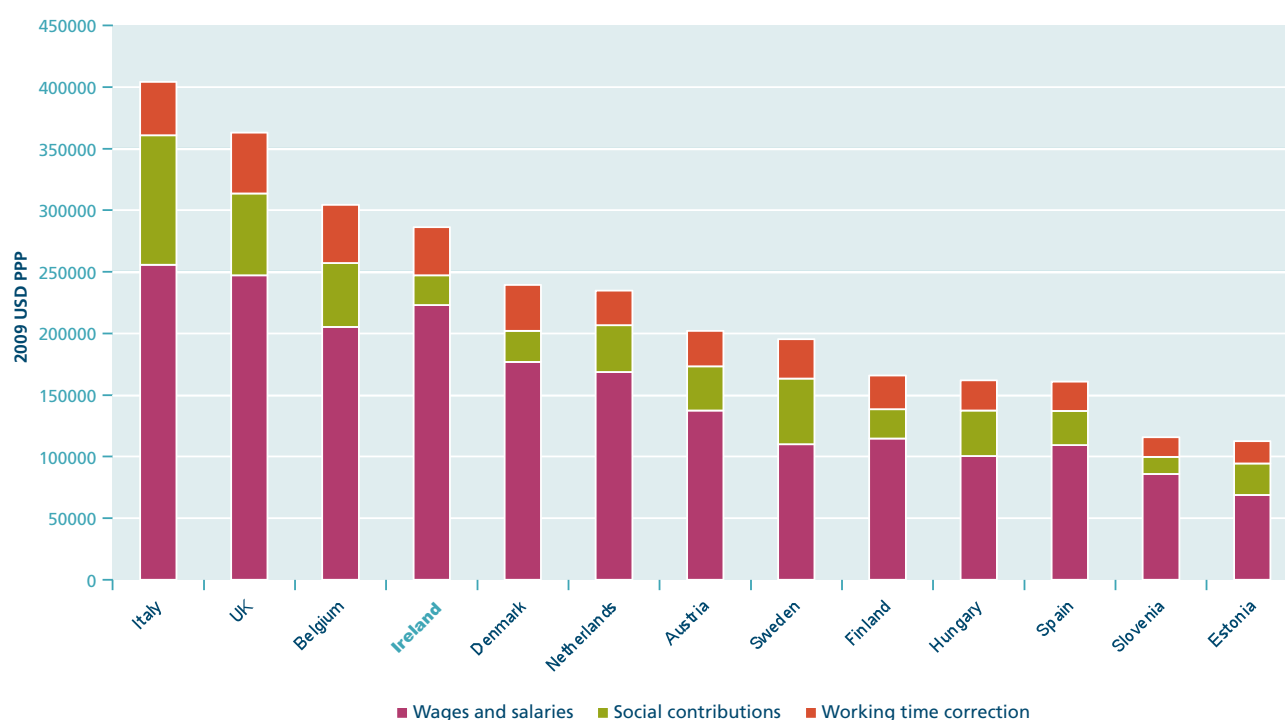


- The health and education sectors account for the vast majority of the Exchequer pay bill. In 2011, the health pay bill (€6.216bn) was 42.2 per cent of the total and the education pay bill (€4.902bn) 33.3 per cent of the total.
- The health share of the Exchequer pay bill reached its peak share (43.9 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 2001 to 2011 as a proportion of the total pay bill.
- Conversely, the civil service, security and non-commercial state-sponsored bodies share of the Exchequer pay bill has fallen between 2001 and 2011.

The compensation of top managers in central government in Ireland is towards the higher end of European norms

Figure 10 Average annual compensation of central government top managers 2009

Source: OECD Government at a Glance 2011



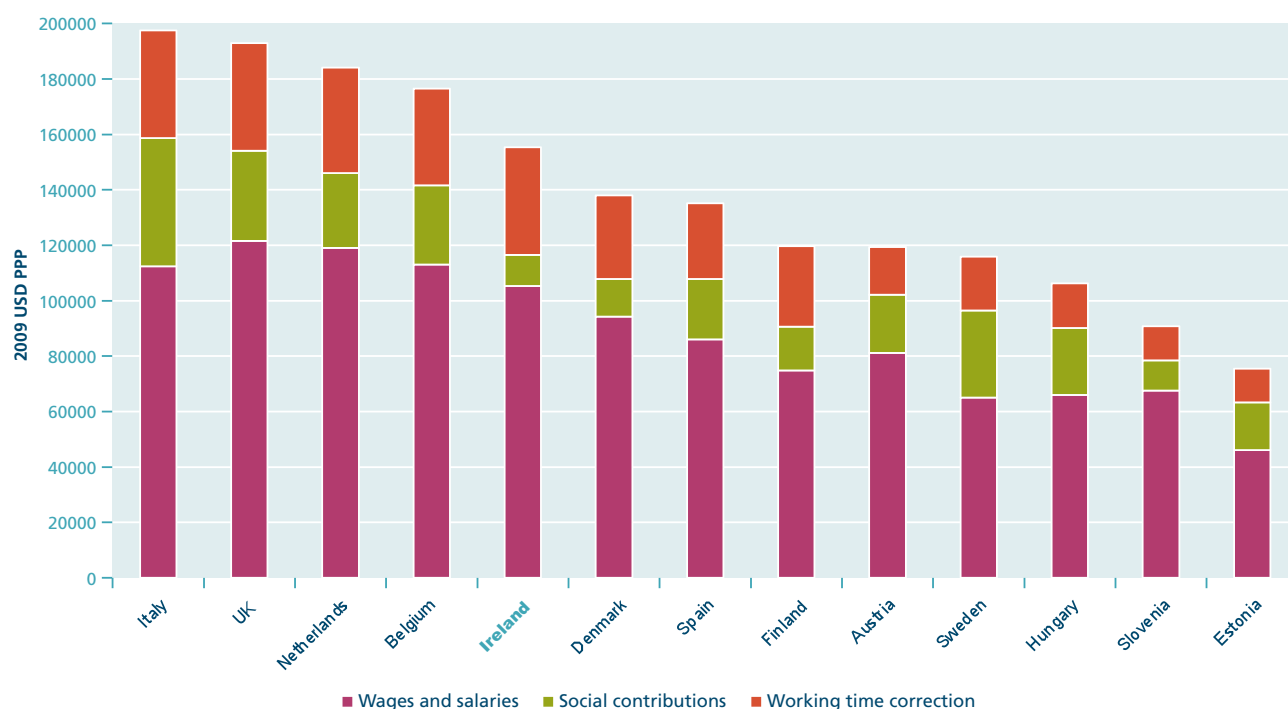
- In 2010 the OECD undertook a survey of the compensation of central government employees. This includes not only salaries and wages, but also social benefits and future pension earnings. Data refers to 2009 which in Ireland's case take into account the decrease in salaries following the Financial Emergency Measures in the Public Interest Act 2009. Social contribution rates are for staff hired after 1995 and exclude unfunded pension schemes through the pay-as-you-go system. Working time adjustment compensates for differences in time worked.
- Top managers in this chart refer to top public servants below the minister. On average, top managers' total compensation in responding countries amounts to just under USD 230,000 PPP¹⁰. At just under USD 290,000 PPP compensation of top managers in Ireland is towards the higher end of the European countries surveyed, with only Italy, the UK and Belgium having higher rates.
- For the next level down from the top of senior managers, a reduced sample of OECD countries shows compensation levels in Ireland to be close to the OECD average, at USD184,000 PPP.
- Differences in compensation levels across countries can be a result of differences in national labour markets, in particular the remuneration in the private sector for comparable positions. They can also indicate different organisational structures in countries (e.g. Sweden has a flat government with numerous senior managers) and different levels of seniority in similar occupations.

¹⁰ PPP refers to purchasing power parity, used to compare the standard of living between countries by taking into account the impact of their exchange rates.

The compensation of middle managers in central government in Ireland is higher than the average for the European countries surveyed

Figure 11 Average annual compensation of middle managers in central government 2009

Source: OECD Government at a Glance 2011

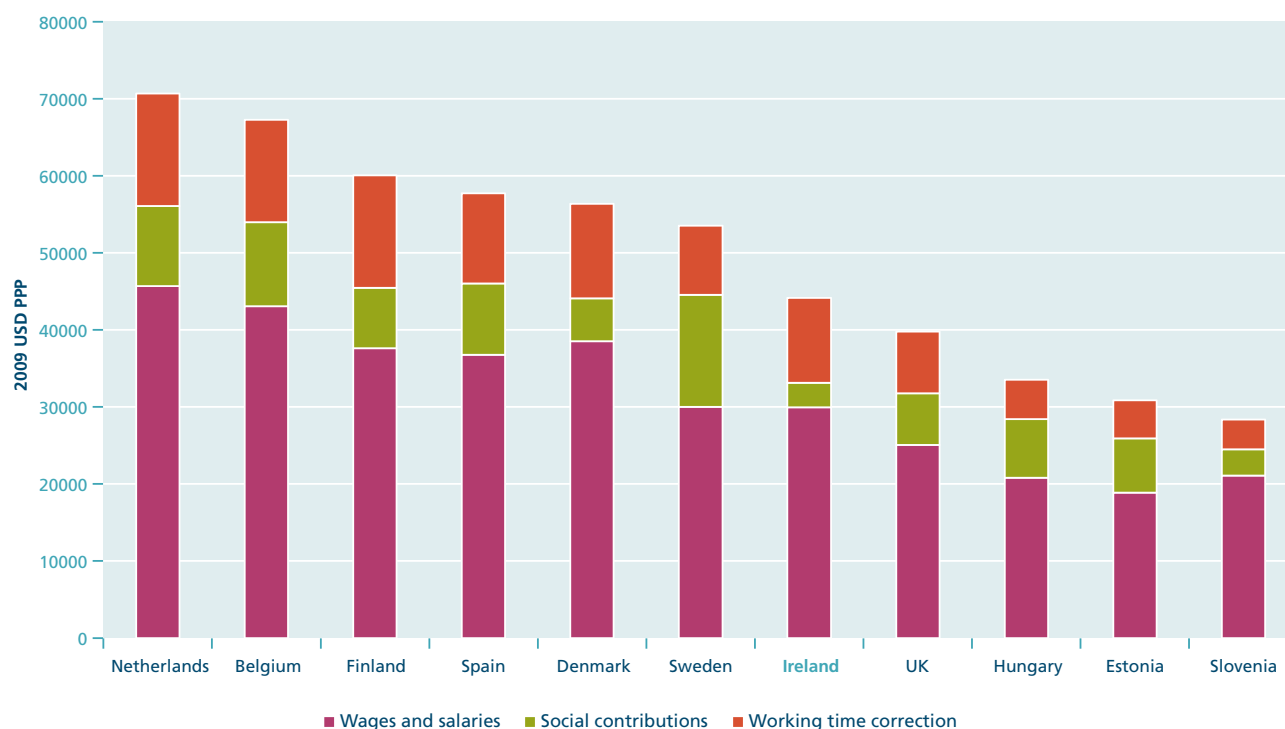


- The middle managers in this chart are defined as those responsible for planning, directing and coordinating the general functioning of a specific administrative unit within a government department or ministry.
- The average compensation for the European countries surveyed is just under USD 140,000 PPP. Compensation in Ireland for this group is USD 155,000 PPP.
- A separate survey of teachers salaries for 2008 (before the pay cutbacks in Ireland) presented by the OECD showed teacher's salaries after fifteen years of experience to be towards the upper end of the OECD countries surveyed. Starting salaries were around the OECD average.

The compensation of administrative staff (secretaries) in central government in Ireland is towards the lower end of European norms

Figure 12 Average annual compensation of employees in secretarial positions 2009

Source: OECD Government at a Glance 2011



- Secretaries are defined as general office clerks who perform a range of clerical and administrative tasks.
- In general, the level of compensation varies less across countries than it does for the management positions.
- Compensation in Ireland is somewhat below the average of the countries surveyed here, assessed at USD 44,000 PPP, compared to the European average of USD 49,000 PPP.
- Comparing compensation levels at the different grades, there is a distinct difference that emerges between Ireland and the UK and the Nordic countries of Finland, Denmark and Sweden. The Nordic countries have a much flatter compensation structure (particularly Finland and Sweden), whereas the UK and Ireland have opted for higher compensation at the higher levels. On average,

top managers compensation in the UK and Ireland is 7.7 times that of secretaries whereas for the Nordic countries top managers compensation is 3.5 times that of secretaries. Similarly middle managers compensation is 4.15 times that of secretaries in the UK and Ireland and 2.20 times greater in the Nordic countries.

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)¹¹. 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. A management index developed by Bertelsmann Stiftung provides further evidence regarding public management capacity.

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

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

Figure 13 Quality of public administration score 2001-2011

Source: IPA analysis based on IMD and WEF data



- 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 Sweden, Finland and Denmark being the top three ranked for the last four years.

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

Figure 14 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. The Nordic countries of Finland, Denmark and Sweden score highest on this indicator.

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

Figure 15 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 2011, Ireland ranked sixth behind Finland, Denmark, Sweden, the Netherlands 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 dropped from 2005 to 2009

Figure 16 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 to 2008. However, Ireland's score has fallen from 2005, and in 2009 Ireland's government effectiveness indicator dropped below the EU15 average. It remains 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 2009 Ireland ranked 11th of the EU15 countries on this government effectiveness indicator, down from 9th in 2008.

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

Figure 17 World Bank regulatory quality indicator

Source: World Bank Worldwide Governance Indicators

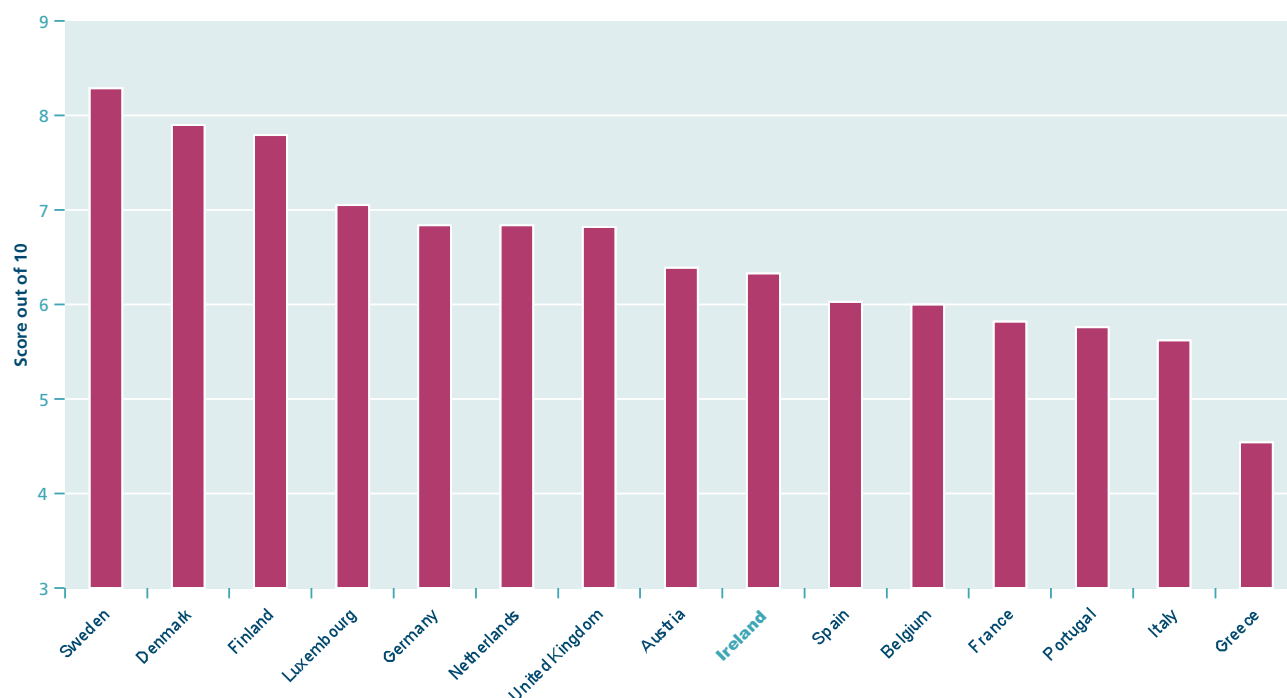


- The Regulatory Quality indicator aims to measure the ability of the government to provide sound policies and regulations that enable and promote private sector development. On this indicator Ireland ranks as well above the EU15 and EU27 averages, particularly from 2006 onwards.
- In 2008, Ireland ranked first of all EU countries on this indicator. However, the impact of the regulatory problems identified in the financial sector in 2009 clearly impacted on the indicator, and Ireland dropped to 6th ranked European country on this indicator in 2009 with Denmark now having the highest ranking.

The management capacity of the Irish government is rated as slightly below the EU15 average

Figure 18 Bertelsmann Stiftung management index 2011

Source: Bertelsmann Stiftung Sustainable Governance Indicators



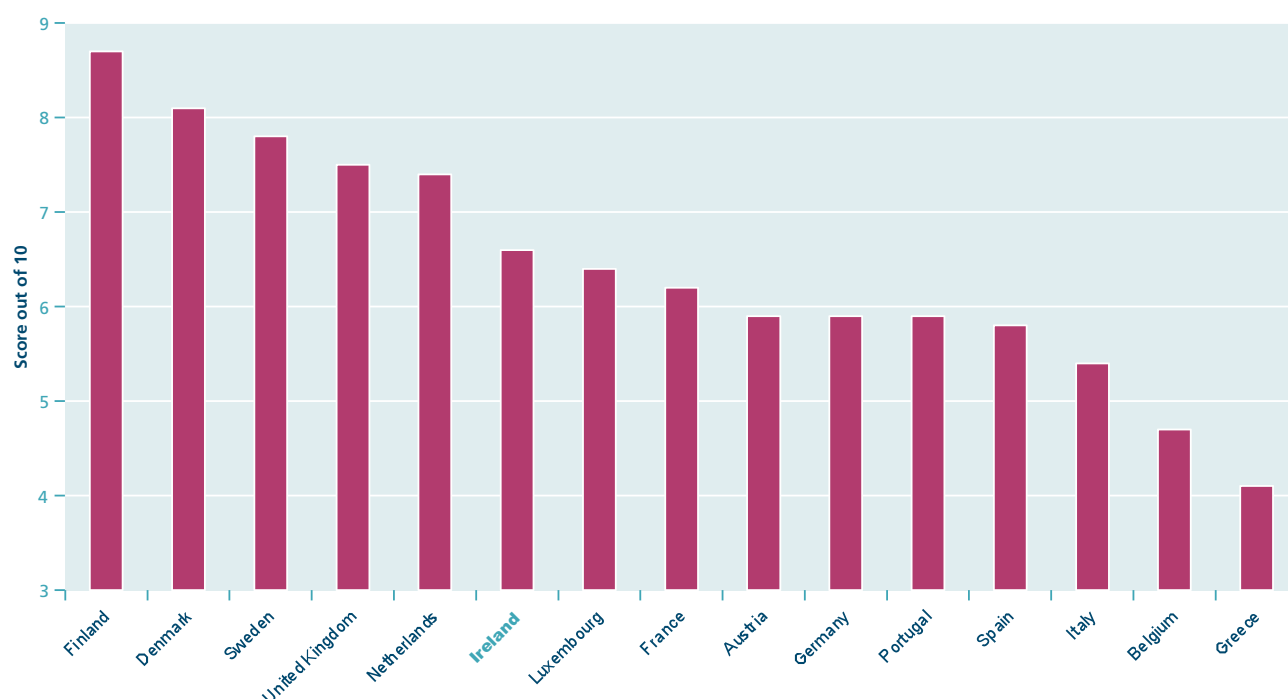
- The Management Index was developed by the Bertelsmann Stiftung (foundation) as part of its Sustainable Governance Indicators project. The index is a composite of a range of indicators of executive capacity (as measured by steering capacity, policy implementation and institutional learning) and executive accountability. It aims to show which countries show the best governance performance and which countries show deficiencies.
- Ireland's score out of 10 in 2011 (based on qualitative and quantitative data gathered between March and November 2010) was 6.33, just below the 6.53 average of the EU15 countries participating in the project. The Nordic countries of Sweden, Denmark and Finland dominate the rankings.

A more detailed examination of Ireland's performance against sub-sections of the overall management index is contained in the next four charts and accompanying text.

The capacity of the Irish government to steer in a strategic manner is rated as slightly above the EU15 average

Figure 19 Steering capability – does the government have strong steering capabilities?

Source: Bertelsmann Stiftung Sustainable Governance Indicators

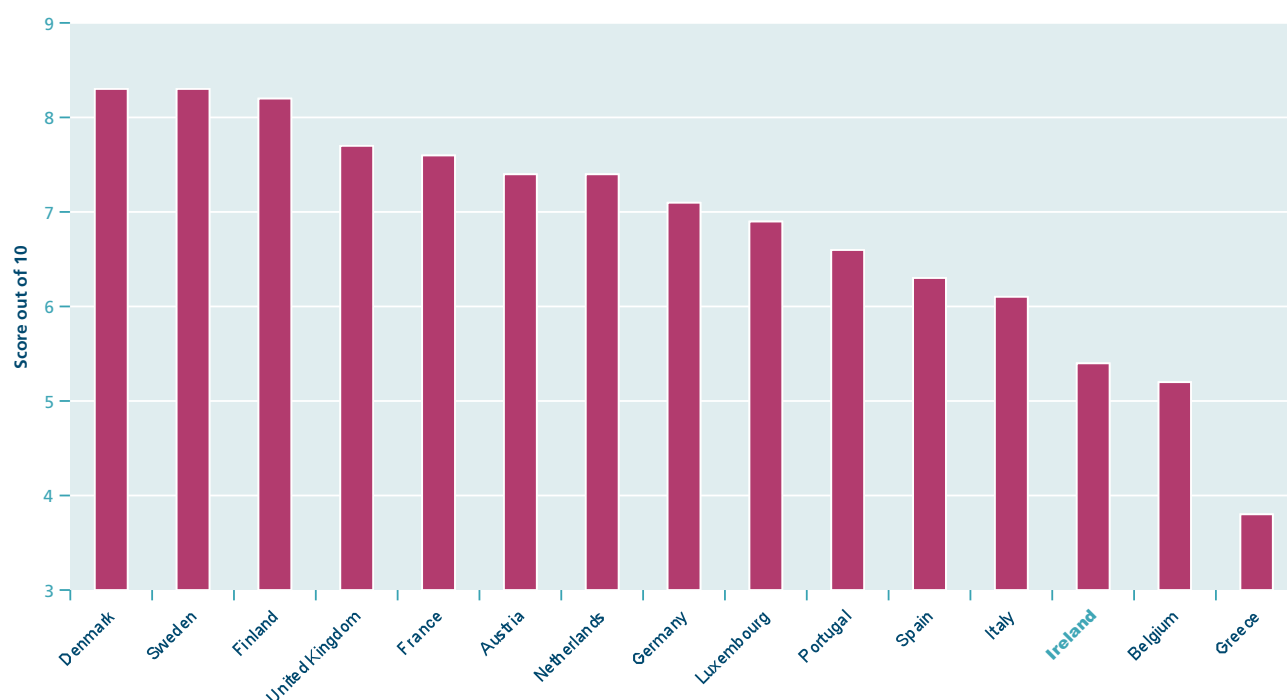


- Ireland is seen to be doing reasonably well in relation to the communication and coordination of policy and strategy.
- Strategic planning is seen to have suffered as a result of the fiscal and economic crisis, leading to a focus on short-term crisis management.
- Consultation, and the negotiation of public support, is seen as a significant weakness which received a low score, largely as a result of the collapse of the social partnership model in 2009.
- In Finland, which received the highest mark of EU15 countries, strategic planning is seen as having a considerable influence on decision making. The prime minister's office has considerable capacity for the evaluation of draft bills.

The capacity of the Irish government to implement policy is rated as significantly below EU15 norms

Figure 20 Policy implementation – does the government implement policies effectively?

Source: Bertelsmann Stiftung Sustainable Governance Indicators



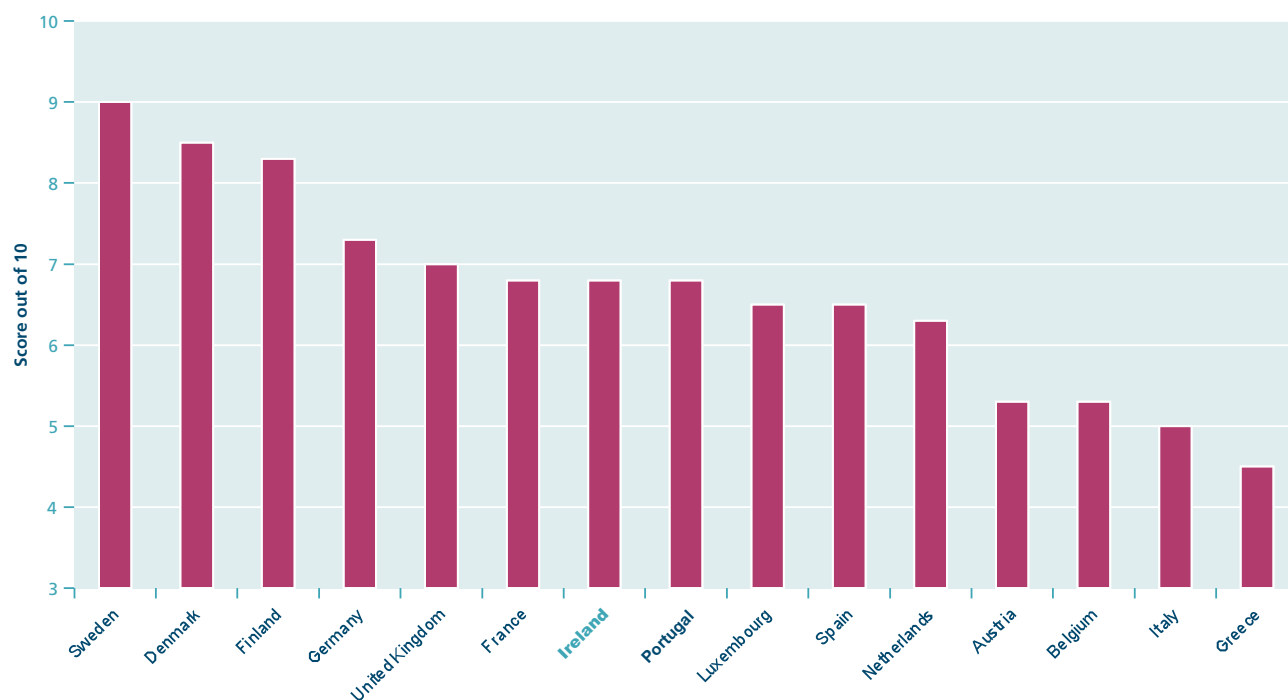
- Policy implementation is rated particularly poorly, with only Belgium and Greece receiving a lower score of the EU15. In large part, this is due to the impact of the recession resulting in the government's failure to meet policy objectives set out in the 2007 programme for government.
- Coordination and control of line ministries and monitoring of agencies are identified as weaknesses in terms of ensuring implementation of policies.
- The limited autonomy of local government and reliance on grants from central government is also seen as a weakness.
- Denmark receives the highest ranking of EU countries with regard to policy implementation. As Denmark is a

decentralised state, large parts of implementation are carried out by local government. Nevertheless, through requirements set out in framework laws and budget constraints, Denmark is seen as being quite successful in steering agencies and administrative bodies.

The capacity of the Irish government to learn from developments is rated at around the EU15 average

Figure 21 Institutional learning – does the government adapt to internal and external developments?

Source: Bertelsmann Stiftung Sustainable Governance Indicators

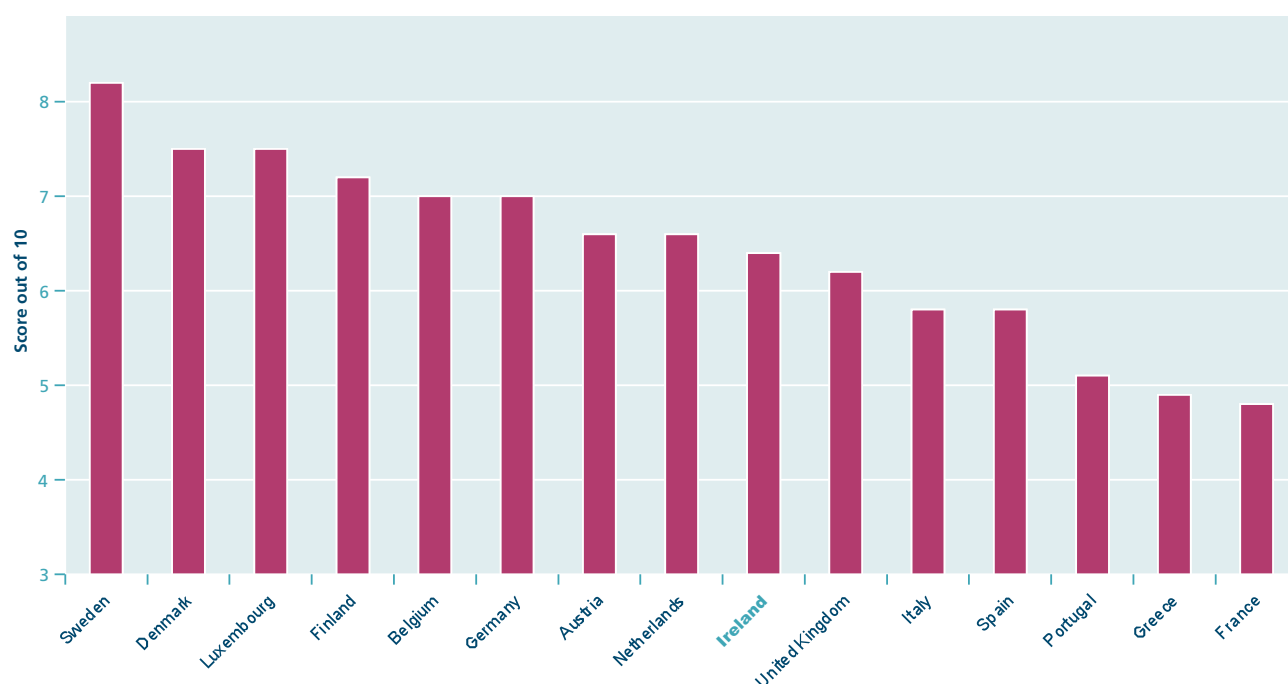


- Ireland is rated in the middle range of countries surveyed with regard to its capacity for institutional learning.
- Ireland is seen to have performed relatively well in the adaptation of its institutions at all levels of government to allow effective functioning within the European context.
- By contrast organisational reform capacity is seen as relatively weak as a result of a lack of regular, systematic monitoring of institutional governing arrangements.

The accountability of the Irish government to citizens is rated as average for the EU15

Figure 22 Accountability

Source: Bertelsmann Stiftung Sustainable Governance Indicators



- Executive accountability in Ireland ranks as around average for the EU15.
- The level of debate among citizens on the important issues of the day is seen as fairly high. The media and interest groups are seen as being relatively well engaged in the process of scrutiny and putting forward policy proposals.
- Parliamentary oversight is seen as relatively weak, despite a strengthening of the role of parliamentary committees.
- Sweden, which ranks highest of the EU15, is seen as having a particularly well engaged and informed public and strong parliamentary committees.

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.

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, a brief 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. They are supplemented by a composite health outcomes index developed as part of the Euro Health Consumer Index.

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

Figure 23 Bureaucracy hinders business activity

Source: IMD World Competitiveness Yearbook

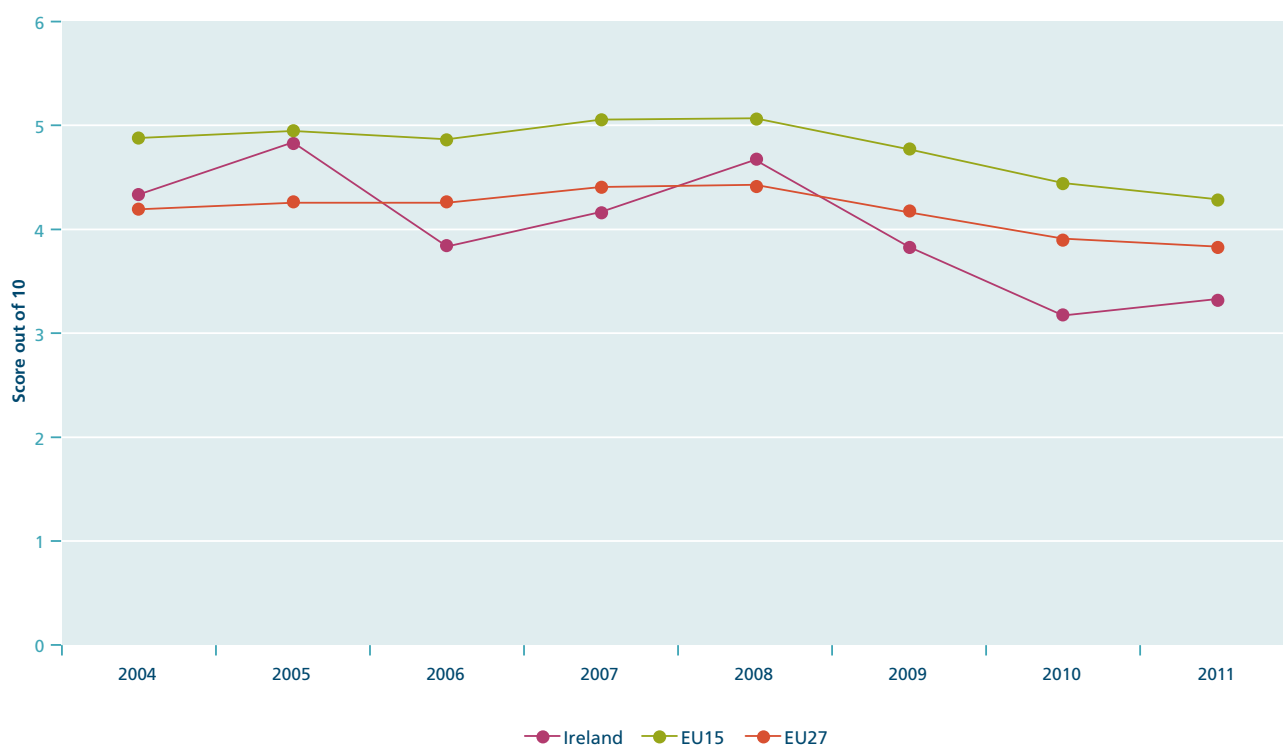


- Respondents to the executive opinion survey carried out by IMD for their World Competitiveness Yearbook indicate that compared to most European countries, bureaucracy in Ireland is seen as less of a hindrance on business activity.
- Only in Denmark, Finland and Sweden is bureaucracy seen as less of a hindrance on business activity. The figures have been fairly consistent since 2006.

There is a perception that the wastefulness of public spending is growing

Figure 24 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 most other European countries.
- Only Greece, Italy, Portugal and Spain receive a worse ranking of EU15 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.

Effective implementation of government decisions is seen as getting worse

Figure 25 Government decisions are effectively implemented

Source: IMD World Competitiveness Yearbook

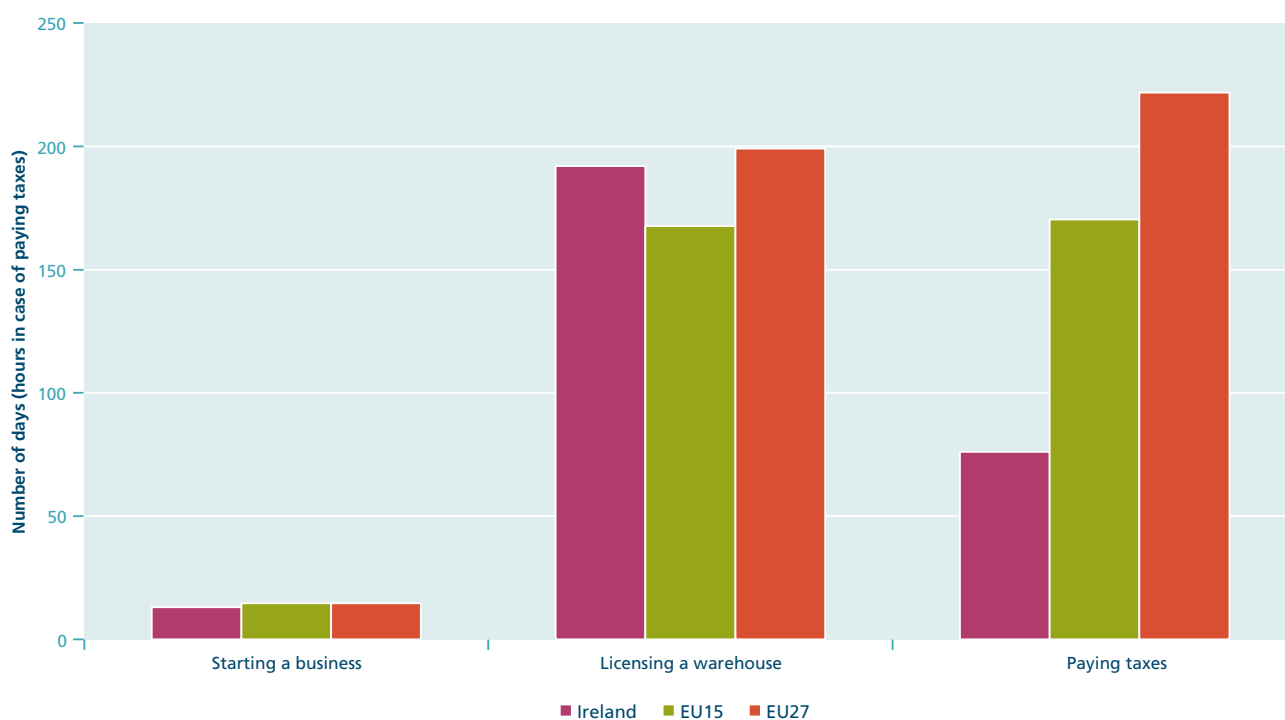


- Respondents to the executive opinion survey carried out by IMD for their World Competitiveness Yearbook indicate that the perception that government decisions are effectively implemented in Ireland is getting worse.
- In the mid 2000s, Ireland's ranking on this indicator was well above the European average. In 2011, the ranking is below both the EU15 and EU27 averages. While there has been a general decline across Europe on this indicator, the decline has been greater in Ireland than most other countries.

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

Figure 26 World Bank Doing Business indicators 2010

Source: World Bank *Doing Business* indicators

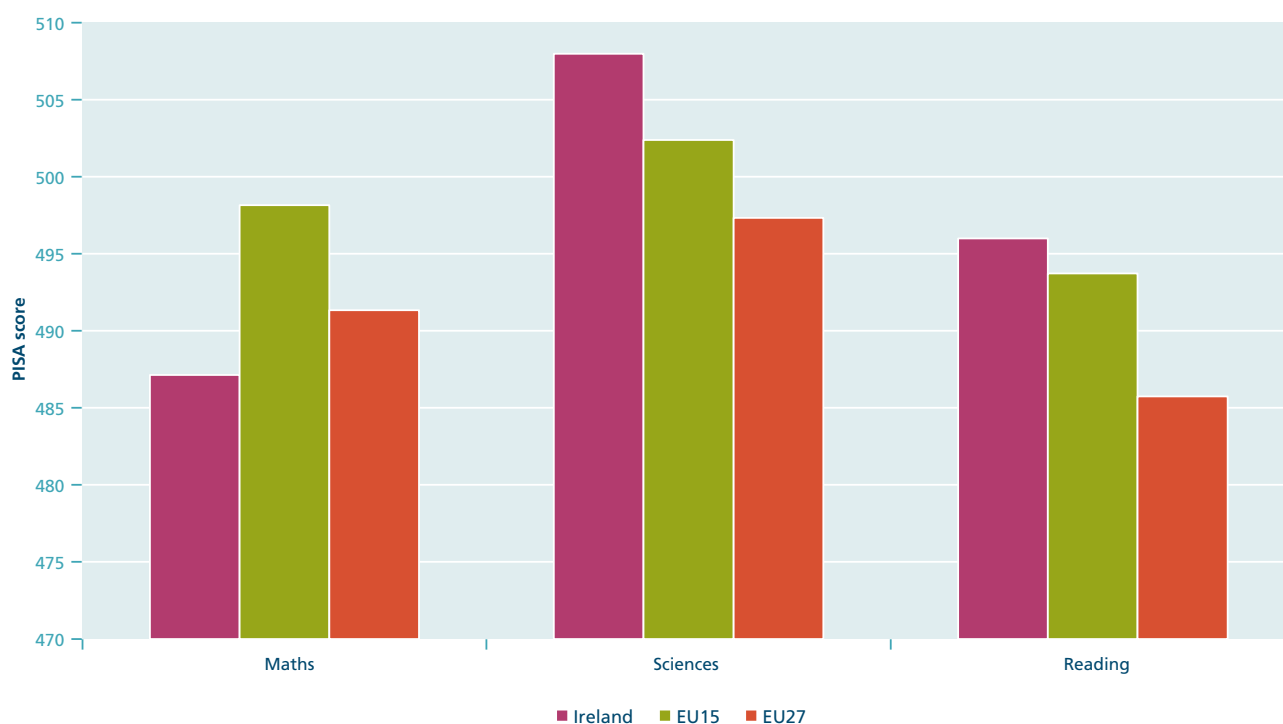


- A 'bottom-up' approach to assessing efficiency of public administration is taken by the World Bank in some of their *Doing Business* indicator set, with performance assessed from a service user perspective.
- The number of days estimated that it takes an entrepreneur to start a business in Ireland is 13, slightly less than the EU15 average of 15 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 was estimated at 192 in Ireland in 2010, up from 185 in 2009 and somewhat longer than the EU15 average (168 days) though better than the EU27 average (199 days). The best performer is Finland, with an estimated 38 days; next best being the United Kingdom with 95 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 (170 hours) and EU27 (222 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's educational attainment scores decline overall compared to European average

Figure 27 PISA educational assessment scores 2009

Source: OECD PISA survey

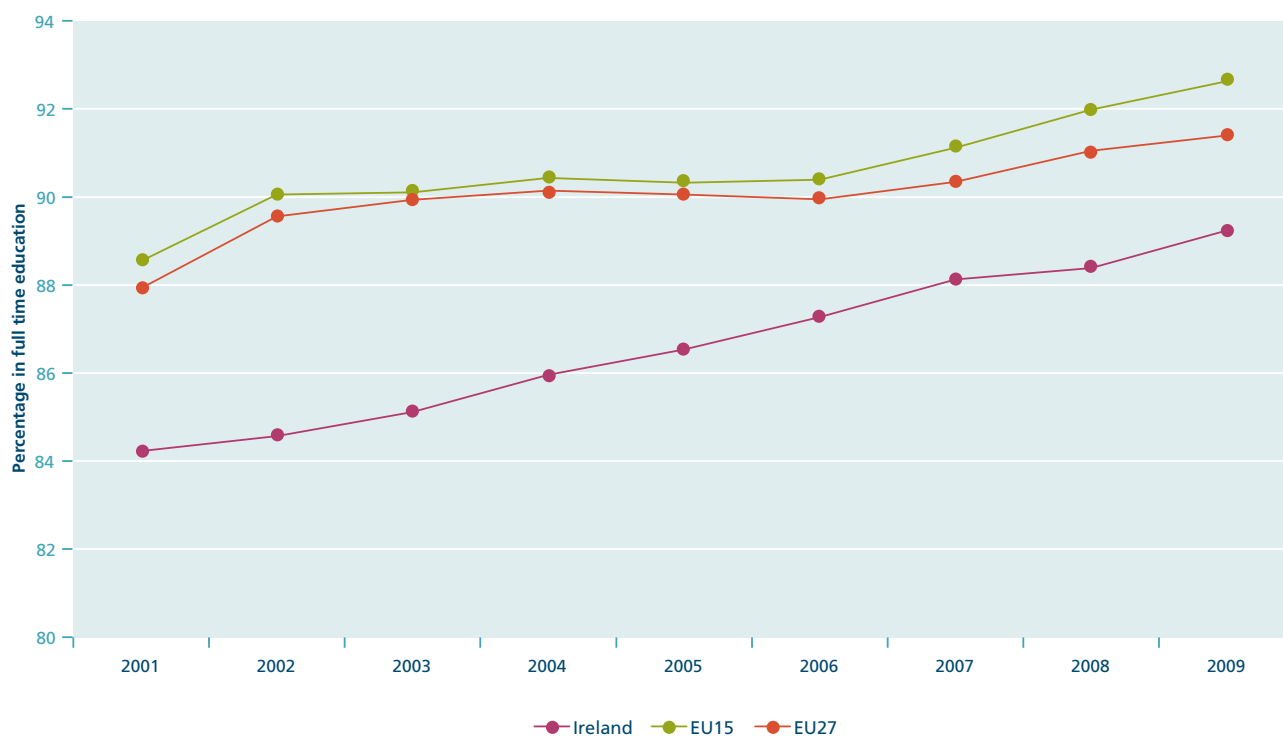


- The OECD Programme for International Student Assessment (PISA) survey is an internationally standardised assessment administered to 15-year olds in schools. Tests are typically administered to between 4,500 and 10,000 students in each country.
- The 2009 PISA survey shows that Ireland has a higher 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 11th of the EU15 in maths in 2009, compared with 8th in 2006.

Secondary school enrolment is somewhat behind the European average

Figure 28 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 year

Figure 29 The education system meets the needs of a competitive economy

Source: IMD World Competitiveness Yearbook

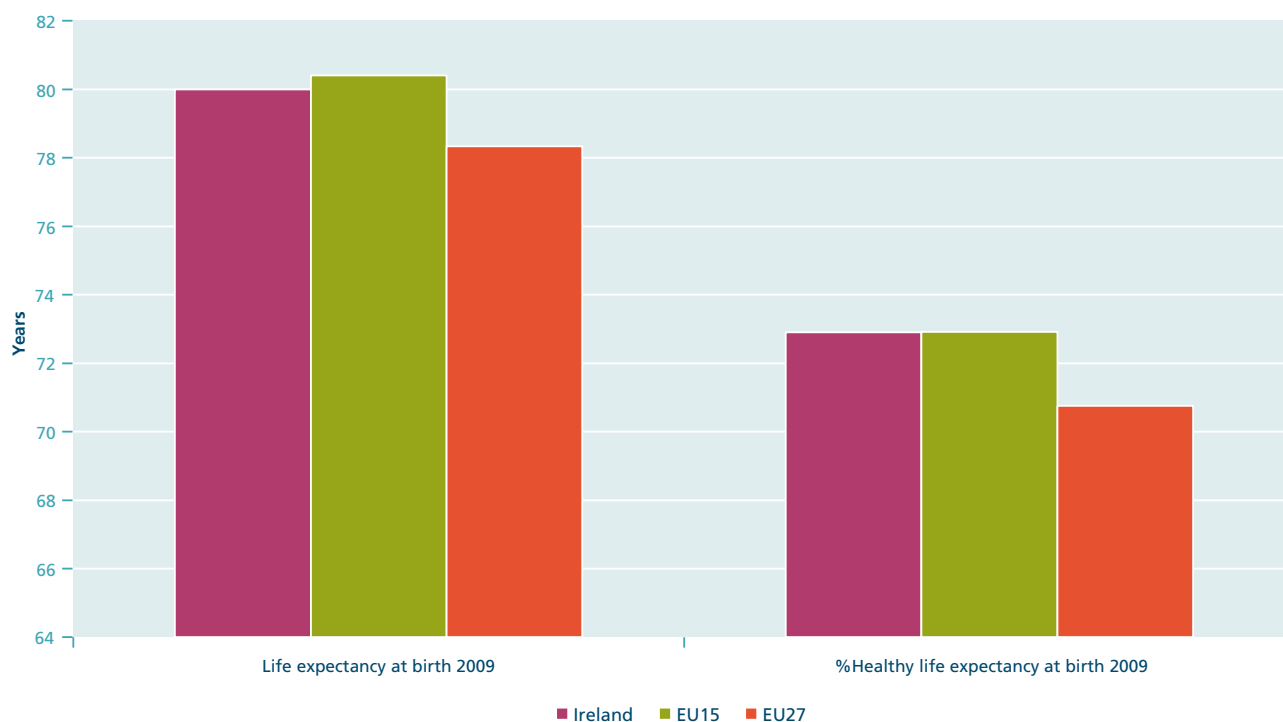


- Executive opinion about the role of the educational system in meeting the needs of a competitive economy is one (though only one) important indicator of how well the education system is functioning.
- From 2001 to 2010 the Irish education system has been seen by those executives completing the survey 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, the opinion of executives that Ireland's education system meets the needs of a competitive economy improved, whereas opinion worsened in many other European countries.

Life expectancy is around the European average

Figure 30 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 under 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. Only France, Italy, Spain and Sweden rank higher.

Infant mortality is around the European average

Figure 31 Infant mortality

Source: WHO, WHOSIS

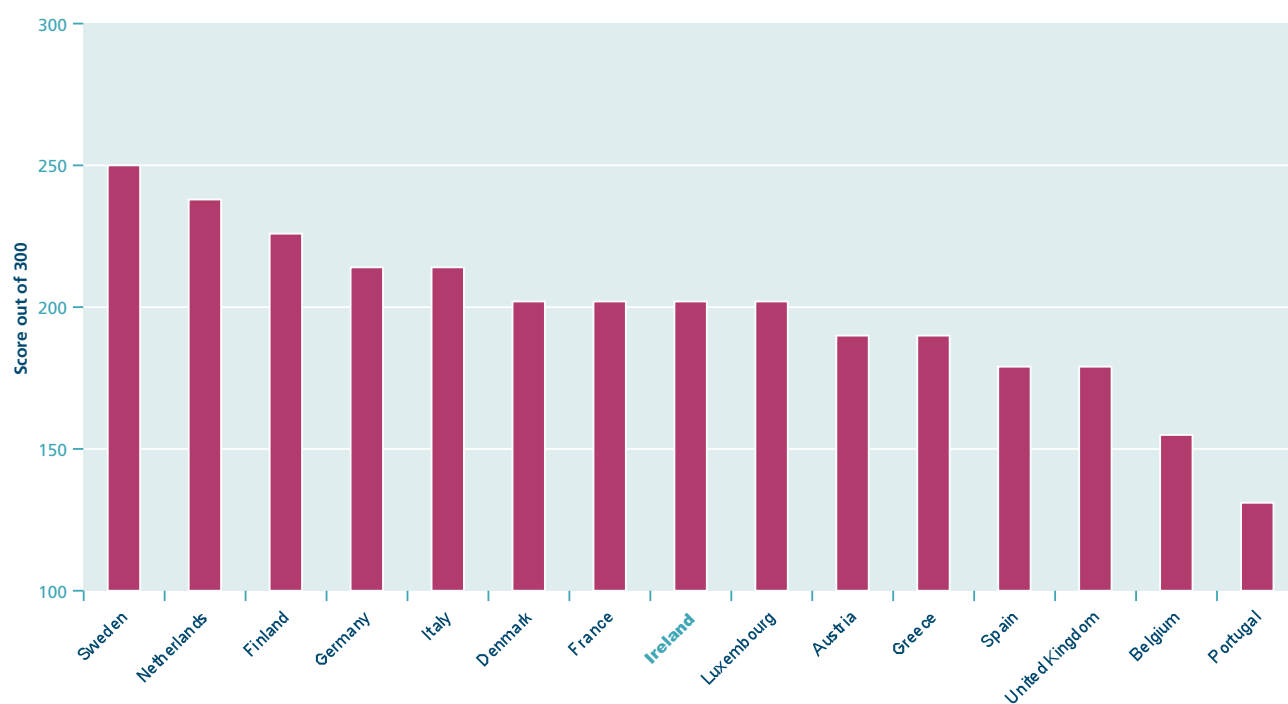


- Under 5 infant mortality per 1000 live births in Ireland fell from 6 in 2004 to 4 in 2007, rose to 5 in 2008 and fell back to 4 in 2009.
- For most countries in the EU15 the infant mortality rate is 3 or 4 per 1000 live births.

Ireland ranks around the EU15 average in achieving desirable health outcomes

Figure 32 European consumer health outcomes index

Source: Euro Health Consumer Index 2009



- The Euro Health Consumer Index 2009 (Health Consumer Powerhouse 2009) includes a composite 'basket' measure of a sub-set of indicators focused on health outcomes¹². The higher the score on this index, the better the outcomes.
- Ireland ranks around the EU15 average on this health outcomes index. Sweden, the Netherlands and Finland achieve the top three rankings.

¹² The outcomes measured are: heart infarct case mortality; infant deaths; ratio of cancer deaths to incidence 2006; preventable years of life lost; mrsa infections; rate of decline of suicide; percentage of diabetics with high HbA1c levels.

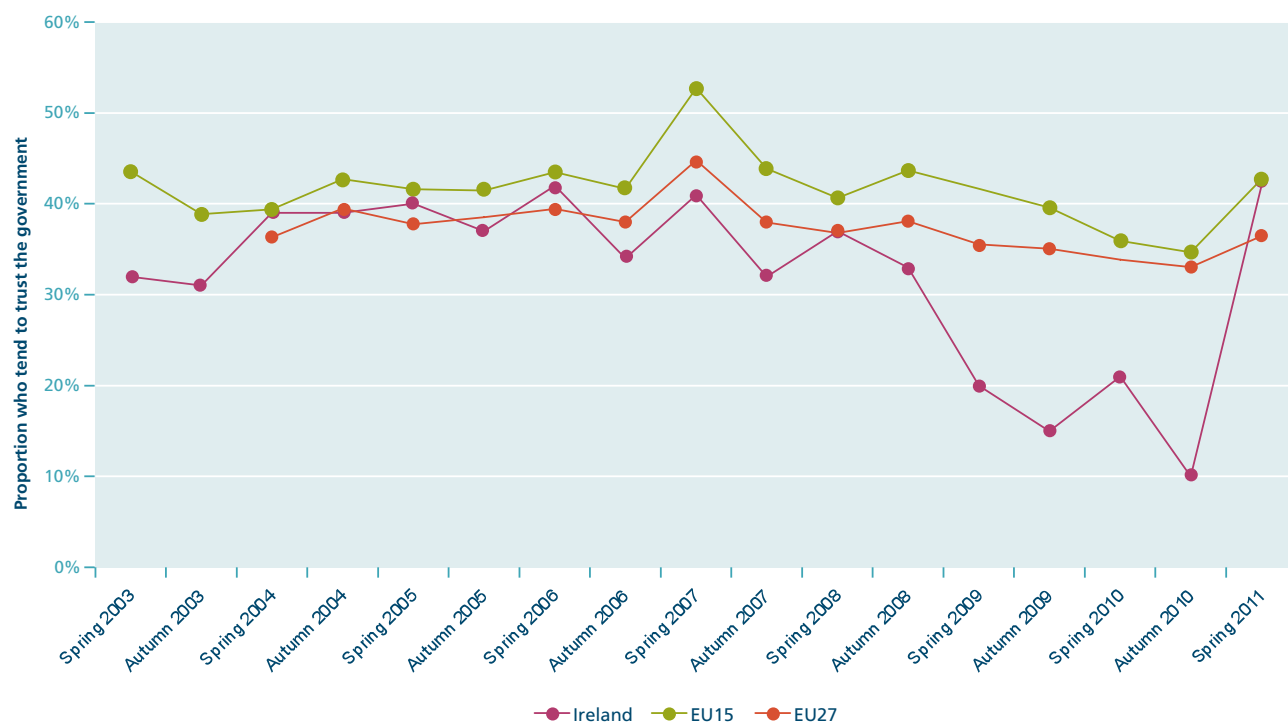
5. Trust and confidence in public administration

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.

Trust in government has recovered from an all time low

Figure 33 Level of trust in government

Source: Eurobarometer



- 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 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.

Trust in parliament shows signs of recovering after a steep fall

Figure 34 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 is 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, 39 per cent of respondents expressed trust in the Irish parliament. This is now back above the EU27 average, but still below the EU15 average. The Nordic countries of Sweden, Denmark and Finland display the highest levels of trust in their national parliaments.

6. Conclusion

In terms of overall performance, the data presented here would tend to suggest that the quality of Ireland's public administration remains close to the average for the European Union. It can be argued that this is a reasonably creditable and credible position for a small state such as Ireland, especially as the economic downturn since 2008 has impacted significantly on the figures displayed here and sets the context for the interpretation of the data presented.

Indicators based on people's perceptions of the public service are clearly influenced by general economic conditions rather than necessarily any actual change in service. This is likely to be a reason for a worsening of Ireland's position with regard to some of the indicators in the last couple of years. Nevertheless, such indicators are important in that perceptions influence how people see Ireland as a place to live, do business and invest.

Knowing where we rank in Europe can point out areas where we need to improve, and identify countries we might learn from. Findings emerging in this light include:

- The growth in public spending is an issue that needs particular attention. While there are specific factors associated with support for the banks that affect the 2010 figures, the need for action is clear. The government's comprehensive review of expenditure will have an important role in setting out sustainable levels of public spending for the coming years.
- However, numbers employed in the public sector, as a percentage of total employment, are not excessive by European standards. As numbers are reduced further to meet fiscal and economic targets, there is a need to closely examine and plan for the impact on retaining vital skills, knowledge and capacity in the public service.
- The Exchequer pay and pensions bill has reduced from its high in 2008. This fiscal discipline will need to be maintained. Compensation of public servants is an important element in overall expenditure decisions.

It is interesting to note that compensation rates vary significantly from top levels to bottom levels in central government, with a much bigger gap than the Nordic countries.

- Perceptions of the quality of Irish public administration suggest particular strengths and limitations compared to our European partners. Strengths include services to business, and the provision overall of sound policies and regulations. Weaknesses include strategic consultation with interest groups (with the collapse of social partnership), policy implementation and political oversight. Denmark and Sweden are particularly strong in these areas.
- Trust in government and parliament has recovered after falling to an all time low. The active engagement of citizens in the design, delivery and monitoring of services can further build trust in government and public services.

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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) ⁱ	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 1.16)	Police services can be relied upon to enforce law and order

	DATA SOURCE & INDICATOR	DESCRIPTION
<i>Competitiveness and Regulation Indicator (CRI)</i>	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

ⁱ Numbers in brackets here refer to the numbering used in the IMD World Competitiveness Yearbook 2011 and WEF Global Competitiveness Report 2010-20119

