

Public Sector Performance

Public Sector Performance

An international comparison of
education, health care, law and order
and public administration



Social and Cultural Planning Office
The Hague, September 2004

Social and Cultural Planning Office of the Netherlands

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- a. to carry out research designed to produce a coherent picture of the state of social and cultural welfare in the Netherlands and likely developments in this area;
- b. to contribute to the appropriate selection of policy objectives and to provide an assessment of the advantages and disadvantages of the various means of achieving those ends;
- c. to seek information on the way in which interdepartmental policy on social and cultural welfare is implemented with a view to assessing its implementation.

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6 Public administration

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6.1 Introduction

After the rapid expansion of the welfare state in the 1950s and 1960s, the public sector has been under considerable pressure in the past few decades. Declining public confidence in government institutions and growing demands on public finances have prompted governments to initiate measures to trim the public sector and make it more efficient and effective. Reform strategies adopted can be catalogued as: Maintain, Modernise, Marketise and Minimise (Pollit and Bouckaert 2004).

'Maintain' involves tightening up traditional control mechanisms. The existing system is stretched, for example, by placing linear restrictions on expenditure (the 'cheese slice method'), with no downward revision of policy targets. Another example of the Maintain strategy is more detailed control of expenditure programs. Although this strategy causes less disruption in the functioning of government organisations, it is probably not adequate to tackle existing financial and legitimacy problems of the public sector.

'Modernise' involves organising alternative structures and processes of government policy making. However, any modernisation operation must be consistent with traditional values of public service provision. The public sector is intrinsically different from the private sector, and any fundamental reform has to take account of these differences. The focus of reforms is to improve management (managerial modernisation) and/or to foster participation by citizens and user groups (participatory modernisation).

'Marketise', the third strategy, involves introducing a private-sector focus to the public sector and its values. It does not mean that services are privatised. The aim is still primarily to reform the public sector, not to reduce its scope and public outlays. Techniques common to the private sector are transplanted wholesale to the public sector. In doing so, the unique character of public sector services is implicitly called into question. One example of this strategy has been the introduction of internal competition (competitive tendering) in New Zealand and the United Kingdom.

¹ This chapter is mainly based on Van de Walle et al., 2004. The first four authors are employed at the Public Management Institute ('Instituut voor de Overheid') of Leuven University.

‘Minimise’ – reducing the public sector – involves privatising functions that have traditionally been in the domain of the public sector. The railways in the United Kingdom are perhaps the most notorious example of privatisation, resulting in a poorer safety record and higher rail fares. Privatisation has been much more successful in other sectors (such as telecommunications).

Many monitoring systems have been put into place as part of these reforms, in order to chart the performance of the public sector. This is an essential prerequisite for the success of new management techniques, such as performance budgets, performance contracts and strategic plans. Such national systems produce a wealth of information, but they do not extend beyond the confines of a particular administrative system. National boundaries are rarely crossed. It is in fact difficult to consolidate the data, as different countries use different definitions for the variables concerned. The data available on public administration mainly concerns subjective perceptions of performance, rather than actual measurements of performance. This lack of objective data makes it impossible to draw generalised conclusions as to what is the optimal administrative system, even if we wanted to. This chapter therefore aims above all to point out the possibilities and limitations associated with the comparison of administrative systems at European level, drawing from empirical data on public administration performance.

The public administration includes all those activities directed at policymaking, legislation and management of the public sector. Activities producing individual services for citizens, like health care and education, are not the domain of public administration. However, in practice the demarcation between policy, legislation and management on the one hand and concrete services provided to individual citizens on the other hand, is not always easy to draw. Moreover, data available on public sector performance usually do not allow public administration activities to be identified separately. Consequently, public administration and activities performed by the public administration must often be measured by related concepts, like ‘government’ and ‘general public services’.

The chapter is structured as follows. An overall comparison of administrative systems (Section 6.2), covering administrative culture, the degree of decentralization and the trend towards the autonomisation of government organisations is followed by a survey of resources claimed by the public administration (Section 6.3). Section 6.4 looks at administrative processes in the public sector, including financial management, human resources management and e-government. The final section examines the quality of the government and confidence in the Civil Service.

6.2 Administrative systems

6.2.1 Administrative culture

Differences in administrative culture have a major impact both on fundamental choices concerning the structure of the public sector, and on the daily functioning of the government apparatus. Administrative culture forms part of a wider political and

social culture.² Hofstede's dimensions are probably the best-known categorisation of administrative cultures (Hofstede 1980), although other attempts have been made (Mamadouh 1999). It is clearly no simple matter to group countries on the basis of their administrative culture.

Loughlin (1994) groups countries on the basis of broad philosophical and cultural traditions. He distinguishes an Anglo-Saxon (minimal state), a Germanic-organicist and a French Napoleonic state tradition. The Scandinavian type is a mix of the first two. For Pollitt and Bouckaert (2004), administrative culture is that which is considered normal and acceptable in an organisation, and they have mapped the extent of a *Rechtsstaat* vs. *public interest* tradition in a country. In the *Rechtsstaat* (rule of law) model, the state is the central integrating force in society, and administrative law takes a prominent place in this tradition. In the *public interest* model the state assumes a less prominent role in society and is regarded as something of a necessary evil. Accountability is more important here than legality. Of course, *Rechtsstaat* and *public interest* are not extremes on a continuum, and in some countries, such as the Netherlands, Finland and Sweden, a trend towards other models can be observed. Hooghe (2002) used four dimensions developed by Page (1995) – cohesion, autonomy from political control, caste-like character and non-permeability of external interest – to construct an index of 'Weberian bureaucratic tradition' (strong, medium, weak), indicating to what degree a national administrative culture corresponds to the Weberian model (strong cohesion, large degree of autonomy from political control, strong caste-like character of the bureaucracy and low permeability of external interests). Her research focused on the European Commission, where differences in administrative cultures are of course more pronounced.

Hajnal (2003) analysed public administration education programmes in Europe. European countries are clustered in three groups. A 'legal' group of countries, where there is a strong focus on law in public administration education, a 'public' group where the unique public and political character of the public administration is recognised, and a 'corporate' group, where (business) management techniques take a central place in the curriculum.

² See Peters (1989) for a detailed discussion of the phenomenon of 'administrative culture'.

Table 6.1 Administrative cultures in EU-15 countries

	administrative culture (Pollitt and Bouckaert 2004)	state traditions (Loughlin 1994)	type of national admin- istration: Weberian bureaucratic tradition (Hooghe 2002)	clusters in PA education (Hajnal 2003)
AT	-	Germanic-organicist	weak weberian	-
BE	<i>rechtsstaat</i>	French-Napoleonic (until 1988), Germanic-organicist (after 1988)	weak weberian	public
DE	<i>rechtsstaat</i>	Germanic-organicist	medium weberian	-
DK	-	Scandinavian (mixture of Anglo-Saxon and Germanic)	medium weberian	corporate
ES	-	French-Napoleonic (until 1978), Germanic-organicist (after 1978)	medium weberian	public
FI	tending to <i>rechtsstaat</i>		weak weberian	-
FR	predominantly <i>rechtsstaat</i>	French-Napoleonic	strong weberian	public
GR	-	French-Napoleonic	weak weberian	legal
IE	-	Anglo-Saxon (minimal state)	strong weberian	corporate
IT	<i>rechtsstaat</i>	French-Napoleonic	weak weberian	legal
LU	-		weak weberian	-
NL	originally very legalistic, but has changed to pluralistic/consensual	Germanic-organicist	medium weberian	corporate
PT	-	French-Napoleonic	medium weberian	legal
SE	originally legalistic but has changed to corporatist	Scandinavian (mixture of Anglo-Saxon and Germanic)	medium weberian	public
UK	public interest	Anglo-Saxon (minimal state)	strong weberian	-

- : not available

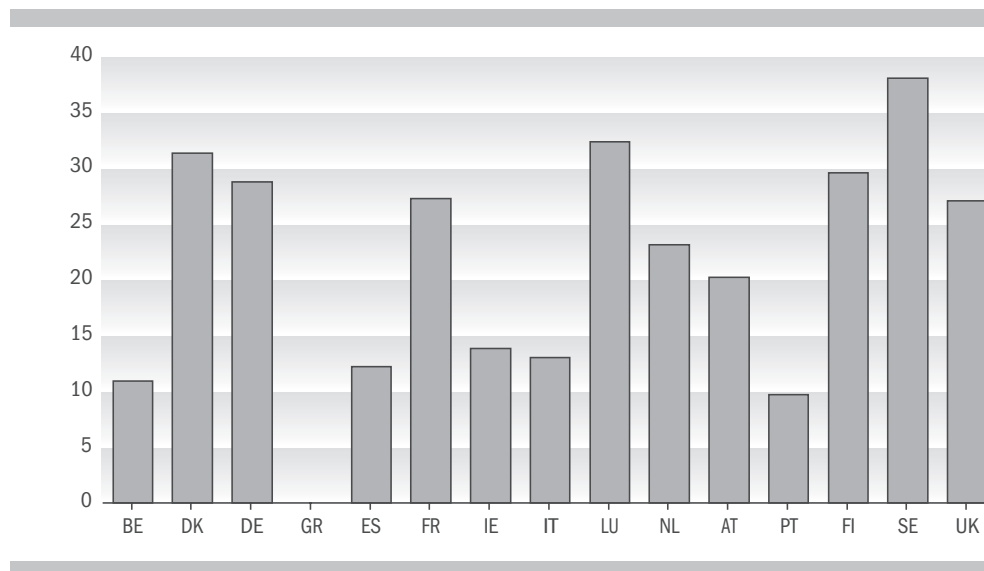
The four categorisations discussed here each have their own focus, so it is difficult to obtain a clear picture. The categorisation of some countries seems fairly coherent, but the absence of clear indicators means it still entails some risk. The Anglo-Saxon tradition differs considerably from the continental tradition. This is reflected, among other things, in the fact that many public servants in the United Kingdom are generalists, while in Germany they tend to have a legal background. The large number of studies of cultural differences among European public servants shows how important it is to take a more in-depth look at this subject. Obviously, the evolution towards a European Administrative Space will be affected by different views on the role of the public administration in society.

6.2.2 Degree of local decentralization

Another important characteristic of administrative systems is the degree of decentralization. Decentralization has many faces. One is functional decentralization, whereby resources and powers are devolved to semi-autonomous institutions. Then there is territorial decentralization, which increases the role of other tiers of government, such as regions and local authorities. We focus here on decentralization to the local level. Autonomised institutions are examined in the next section. There appear to be major differences between countries in the degree of decentralization.

Decentralization is usually approached from a financial perspective, with a focus on devolving public resources. Figure 6.1 shows the proportion of the government budget spent by local authorities. Three groups of countries may be distinguished. Firstly, the Scandinavian countries, with a very strong local sector (accounting for over 30% of spending). The outsider here is Luxembourg. The second cluster comprises a number of Central European countries (20%-30%). One notable country included in this group is France, which generally has a centralist image. Finally, we have a number of countries with a small local sector, mainly Southern European countries, and also Ireland and Belgium.

Figure 6.1 Spending by local authorities as % of total government expenditure



Source: Council of Europe (1997)

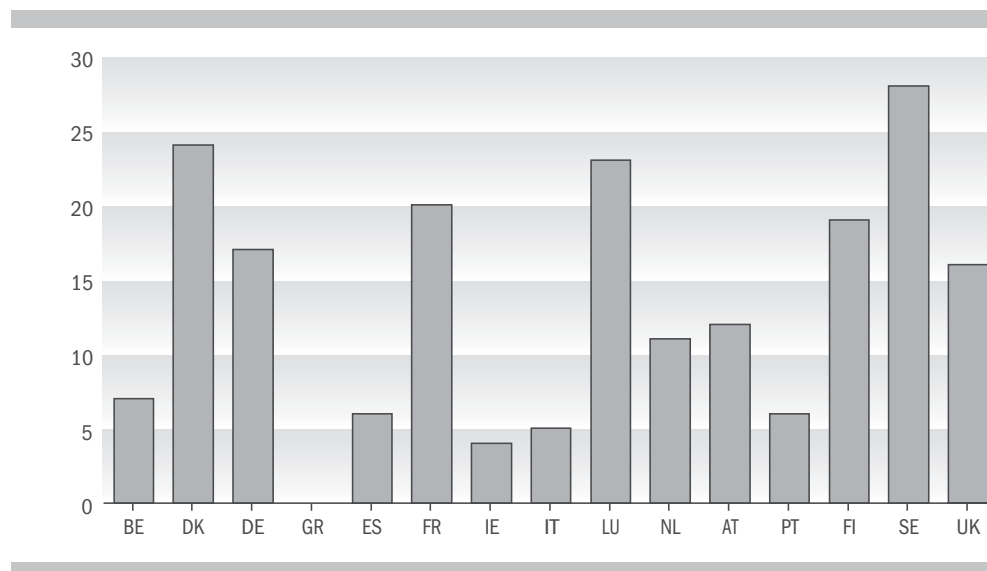
These figures give an first impression. However, the relative share in total public spending is too coarse a measure of decentralization. Can we call it decentralization when a local authority merely acts as the agent of a higher level of government? What autonomy do local authorities have? Figures on spending must always be viewed in the light of autonomy. Indicators of autonomy include spending freedom and freedom to collect resources. The latter concerns the freedom to increase or cut back certain flows of income, and the former an authority's freedom to spend its income as it sees fit. We can examine these concepts on the basis of local authorities' income

structure. Spending freedom and freedom of resources can be established by analysing a breakdown of local authority income.

- Taxes: high freedom of resources, high spending freedom
- Loans: high freedom of resources, high spending freedom
- Shared taxation: low freedom of resources, high spending freedom
- General grants: low freedom of resources, high spending freedom
- Fees & charges: high freedom of resources, low spending freedom³
- Targeted grants: low freedom of resources, low spending freedom

Figure 6.2 combines the level of local government expenditure with spending freedom, as a measure of autonomy, showing the product of the percentage of the government budget spent by local authorities (see Figure 6.1) and the percentage over which the local authority has a high degree of spending freedom.

Figure 6.2 Autonomy of local authorities (% of total government budget)



Source: Council of Europe (1997)

The groups identified above remain largely intact. A number of atypical positions are confirmed. France, for instance, despite its centralist image, tends towards the Scandinavian model. Ireland has only a limited degree of decentralization, and thus differs strongly from the United Kingdom, with which it is often associated. The Netherlands finances local authorities to a large extent by means of targeted grants and is therefore less decentralised according to this measure. It ends up closer to Belgium, as was to be expected. Local administration in the Netherlands and

³ This income flow can be increased by raising either performance or charges. Spending freedom is limited, since charges do not always cover costs, so no new policy freedom is created.

Belgium has developed since the early nineteenth century on the foundations laid during the Dutch Republic.

Another indicator of the degree of decentralization is the distribution of public servants among the different tiers of government. Table 6.2 shows the proportion of public servants employed at the various levels of administration. It clearly shows a shift in staff employed by central government to staff on the payroll of local and regional authorities. The proportion of public servants working in central government is declining, while the proportion of staff working at the local and regional level is on the increase. The Scandinavian countries (Finland (23.4%) and Sweden (17.3%)) and most of the federal countries (Australia (12.1%), Germany (11.5%), Canada (17.1%) and the United States (13.5%)) have small central governments. Belgium is an exception, on 34.3%. In unitarian states such as France (51.6%), the Netherlands (74.2%) and Italy (57.9%), the proportion of public servants working in central government is significantly higher. In 2000, as many as 90.9% of public servants worked in central government in New Zealand.

Table 6.2 Percentages of public servants working in each tier of government

	central government			level	other level of government	
	1990	1994	2000		1994	2000
Belgium	53.7 ^b	39.9 ^c	34.3	regional	14.1 ^c	14,8
				local	46.0 ^c	50,8
Germany	21.6	11.9	11.5	länder	51.0	52.2
				municipalities	37.1	36.3
France	55.0	48.7	51.6 ^d	sub national	30.7	25.3 ^d
Italy	63.0	63.0	57.9 ^d	regional	23.0	26.8 ^d
				municipalities	14.0	15.3 ^d
Netherlands	70.1	73.2	74.2 ^a	regional	5.2	4.7 ^a
				municipalities	21.6	21.1 ^a
Finland	24.3	25.2	23.4 ^a	municipalities	74.8	76.6 ^a
Sweden	26.7	17.3	n.a.	regional	24.6	n.a.
				municipalities	58.1	n.a.
UK	47.7	47.7	47.6 ^d	local	52.3	52.4 ^d
Australia	15.0	14.6	12.1 ^e	state	73.3	77.1 ^e
				local	12.1	10.8 ^e
New Zealand	90.1	89.7	90.9	local	10.3	9.1
Canada	17.9	17.1	13.2	provincial	44.1	51.9
				local	38.9	35.0
USA	16.7	15.2	13.5	state	22.6	23.1
				local	61.1	63.4

Notes: a: figures are for 1999; b: figures are for 1989; c: figures are for 1995; d: figures are for 1997; e: figures are for 1998

Source: Pollitt and Bouckaert (2004)

6.2.3 Autonomisation of government organizations

This section takes a close look at the trend towards granting government organisations autonomous status, otherwise known as autonomisation. Unlike territorial decentralization to the local level, this is a relatively recent strategy. However, it has formed the core of many public sector reforms in Europe. Autonomisation is based on the hypothesis that greater autonomy for ‘front office’ agencies leads them to work more efficiently and effectively. The Scandinavian countries have a fairly long tradition of autonomisation. However, in most countries the trend did not set in until the advent of New Public Management in the 1980s (Hood 1991).

Autonomisation can take various forms. There are differences in terms both of legal status, and of the degree of policy and management autonomy. Here, however, we distinguish between three major types of autonomous organisation: arm’s length agencies, public law agencies and mixed agencies. *Arm’s length agencies* have been hived off from their parent organisation, but remain answerable to the minister. They might still form part of the parent organisation, or they might have their own separate legal status. Examples include the United Kingdom’s executive agencies, and the Netherlands’ *baten-lastenagentschappen*. *Public law agencies* are bodies set up under public law which are institutionally separate from the parent organisation and have their own board. Examples include the Netherlands’ *zelfstandige bestuursorganen* (ZBOs), the United Kingdom’s non-departmental public bodies and New Zealand’s crown entities. The third group of agencies are private-law bodies that have a public function. Examples include public enterprises and non-profit organisations. These are therefore sometimes referred to as mixed agencies.

Table 6.3 reviews the three forms of autonomisation in fourteen countries, indicating which forms exist in each country, whether they form part of the central budget, and the size of their budgets in relation to the total government budget. This information is helpful to indicate the degree of autonomy and the relative importance of the different forms of autonomous organisations. The data have been drawn from a survey by the OECD and the World Bank (OECD and World Bank 2003).

Table 6.3 Forms of autonomisation

	arm's length agencies ⁴		public law agencies ⁵		mixed agencies ⁶	
	part of central budget?	% of overall government budget	part of central budget?	% of overall government budget	part of central budget?	% of overall government budget
BE	yes, entirely	<10%	yes, partially	10-20%	-	-
DK	-	-	yes, entirely	10-20%	yes, partially	-
DE	yes, entirely	10-20%	yes, partially	10-20%	no	<10%
FR	yes, entirely	-	no	-	no	-
GR	yes, entirely	-	yes, partially	-	no	-
IE	yes, entirely	-	yes, partially	<10%	no	<10%
ES	yes, entirely	-	yes, partially	-	yes, partially	-
PT	yes, entirely	40-60%	yes, entirely	40-60%	no	<10%
UK	yes, entirely	-	yes, entirely	-	yes, entirely	-
NL	yes, entirely	<10%	yes, partially	10-20%	yes, partially	<10%
HU	yes, entirely	-	yes, partially	-	yes, partially	-
CZ	yes, partially	-	no	-	no	-
AU	yes, entirely	10-20%	yes, partially	<10%	no	<10%
NZ	yes, entirely	<10%	yes, entirely	40-60%	no	<10%

-: not available

Source: OECD and World Bank (2003)

⁴ "Arm's length agencies have no separate entity from the state; the financial framework is predefined; most are funded through allocations from the state budget, and their budget is annually reviewed through the state budget process; no own accounts; e.g. semi-autonomous bodies in New Zealand, executive agencies in the UK (OECD and World Bank 2003)."

⁵ "Public Law Agencies: 100 per cent public ownership; partially or completely institutionally separate from ministries; can be partially separate or fully separate legal bodies; function mostly under public law; not commercially oriented; most PLAs are tax-revenue financed, and their budget is part of the general budget law; own accounts; e.g. public law ZBOs in the Netherlands, crown entities in New Zealand, most non-departmental public bodies in the UK, Swedish agencies and boards (OECD and World Bank 2003)."

⁶ "Mixed agencies function mostly under private law, usually with a full separate legal identity from the state; commercially oriented; usually mostly sales revenue financed and can carry forward surpluses, borrow and lend; their budgets are separate from those of ministries; own accounts; e.g. private law ZBOs in the Netherlands (OECD and World Bank 2003)."

In most countries, the entire budget of arm's length agencies is part of the budget of the central or federal government. This is due to the fact that these agencies are still answerable to central government, even though they have been placed at arm's length. Their share of the total government budget ranges from less than 10% to 20%. One exception is Portugal, where the budget of arm's length agencies accounts for 40% to 60% of the total budget. The budgets of public law agencies are usually only partially included in the central government budget. Their proportion of the total government budget ranges from less than 10% to 20%. In Portugal and New Zealand, public law agencies account from 40% to 60% of the budget.

Finally, mixed agencies do not form part of the central budget in the majority of the countries studied. In most cases, their share of the total government budget is below 10%.

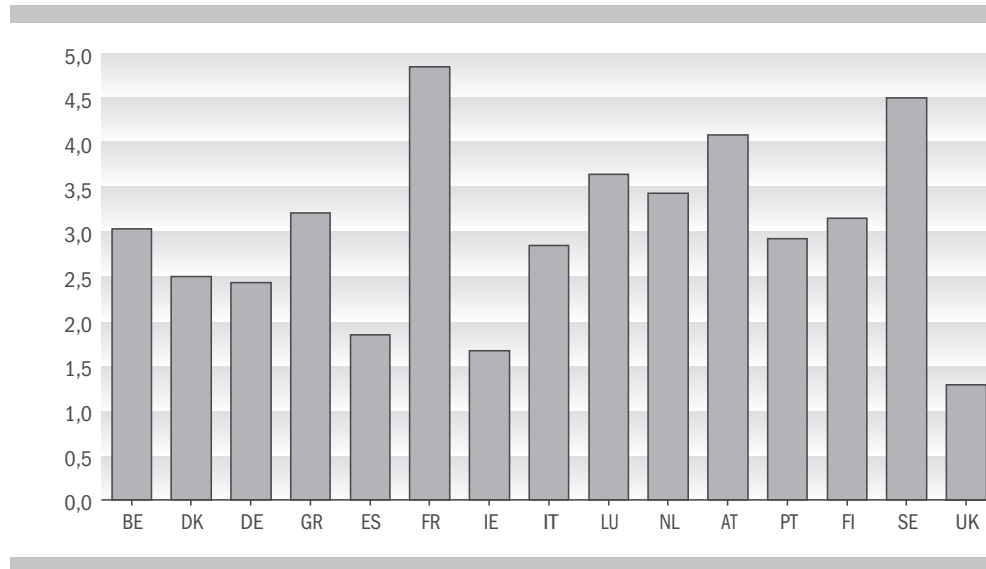
6.3 Use of resources

Public administration includes policy making, legislating policy and management of the public sector. The UN classification of functions of government distinguishes general public services, including legislative, executive, financial, fiscal and foreign activities, apart from other typical public functions like defence, public order and safety.⁷ This classification fits very well the usual definition of public administration activities. Unfortunately, this information is only available for EU-15 countries. The new member states will follow this classification from 2004.

The share of expenditure on general public services in GDP varies between 1,3% (United Kingdom) and 4,8% (France). Other countries are scattered evenly between these extreme values (Figure 6.3). Different levels of expenditure are partly explained by differences in over-all public spending levels (Figure 2.6). Expressed as a share of GDP, public expenditure is high in Sweden and Denmark and low in Ireland and the UK. The same pattern holds for expenditure on general public services.

⁷ The various functions are: (1) general public services, (2) defence, (3) public order and safety, (4) economic affairs, (5) environment protection, (6) housing and community amenities, (7) health, (8) education, (9) recreation, culture and religion, (10) social protection.

Figure 6.3 Expenditure on general public services of EU-15 countries, 2001 (percentage of GDP)^a

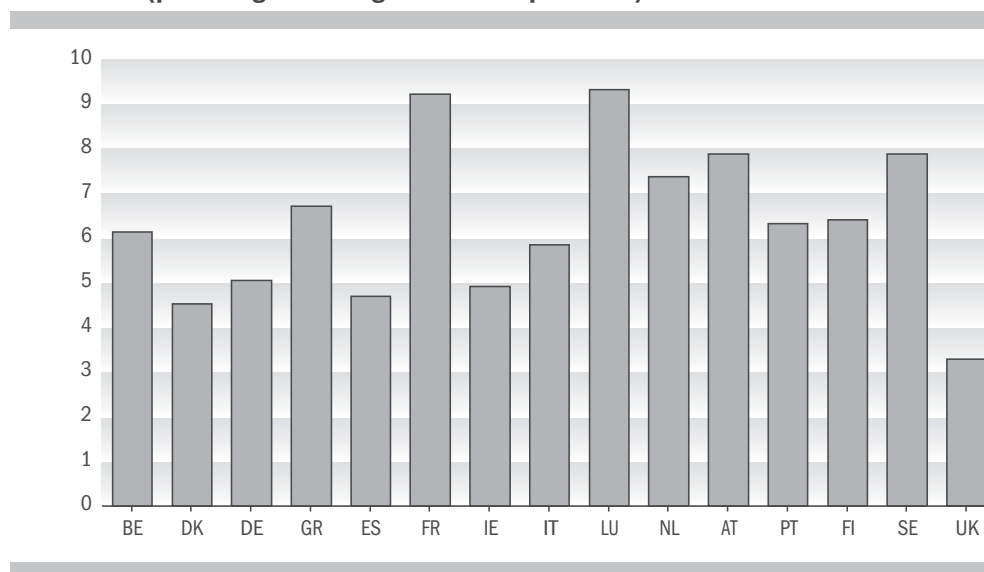


a Excluding debt interest payments (classified as property income consolidated) and foreign transfers (classified as others transfers consolidated).

Source: Eurostat

The share of general public services in total government expenditure varies widely between EU-15 countries (Figure 6.4). Luxembourg and France spend well over 9% of total government expenditure on general public services, while the United Kingdom spends only 3%. A closer view shows a striking similarity between Figures 6.3 and 6.4. Obviously, countries spending much on general public services (Figure 6.3) also devote a larger part of total government expenditure to produce general public services (Figure 6.4).

Figure 6.4 Government expenditure on general public services of EU-15 countries, 2001 (percentage of total government expenditure)^a

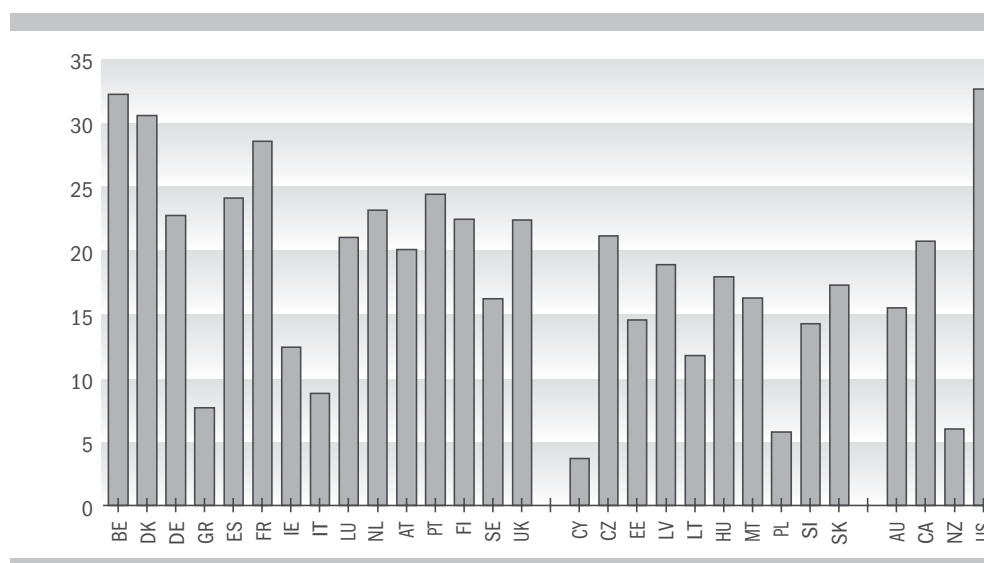


a Excluding debt interest payments (classified as property income consolidated) and foreign transfers (classified as others transfers consolidated).

Source: Eurostat

In Figure 2.12 (Chapter 2) the share of employees in the public administration, expressed as a percentage of total employment, appeared to range from less than 1% in Cyprus to more than 8 percent in Belgium. Because public administration produces public services, it's also relevant to relate employment in public administration to total population (Figure 6.5).

Figure 6.5 Employees in public administration per 1.000 population, 2000

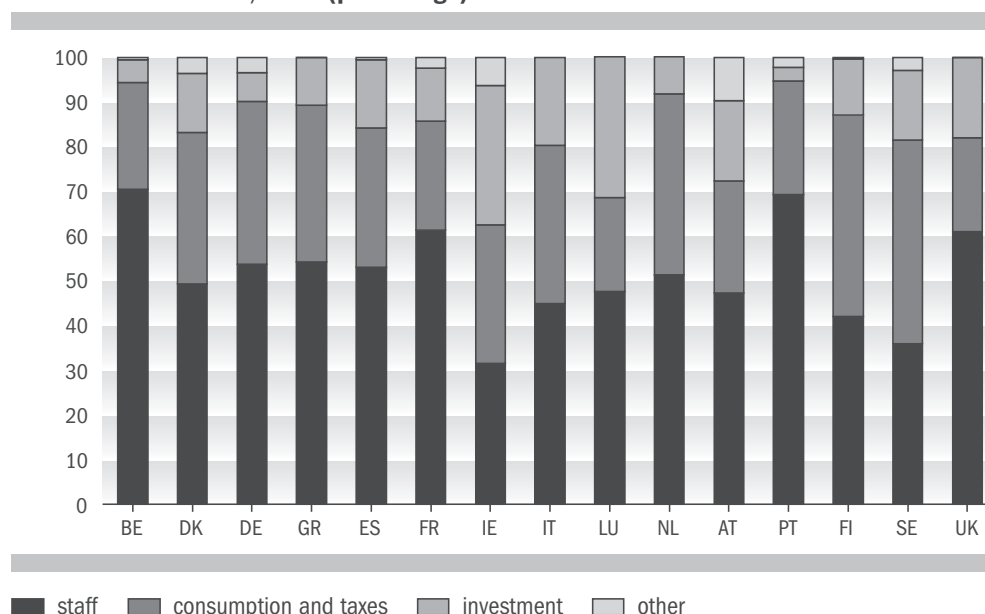


Source: OECD, ILO, NATO, European Sourcebook, US Sourcebook, AIV (SCP revision)

The number of employees per 1.000 inhabitants ranges from 4 in Cyprus to 33 in the United States. In EU-15 countries the ratio of public administration staff is low in Greece, Italy and Ireland and high in Belgium, Denmark and France. The staff-ratio ends up between 15 and 25 in the other EU-15 countries. Most new member states end up between 10 and 20 employees per 1.000 inhabitants, except for Cyprus and Poland (about 5) and the Czech republic (just over 20).

The ranking of EU-15 countries according to Figure 6.3 (expenditure on Civil service related to GDP) and to Figure 6.5 (civil servants related to inhabitants) differs, although the relation is positive. On top of the civil expenditure ranking are France, Sweden and Austria and on top of the civil staff ranking are Belgium, Denmark and France. Inversely, at the bottom of the civil expenditure ranking are the United Kingdom, Ireland and Spain and at the bottom of the civil staff ranking are Greece, Italy and Ireland. These differences can be attributed partly to differences in share of cost of staff in total production of general public services (Figure 6.6). For example, Sweden scores high on civil expenditure but low on share spent on staff; Belgium scores moderate on civil expenditure but high on share spent on staff and the United Kingdom scores low on civil expenditure but rather high on share spent on staff.

Figure 6.6 Composition of government expenditure on general public services of EU-15 countries, 2001 (percentage)^a



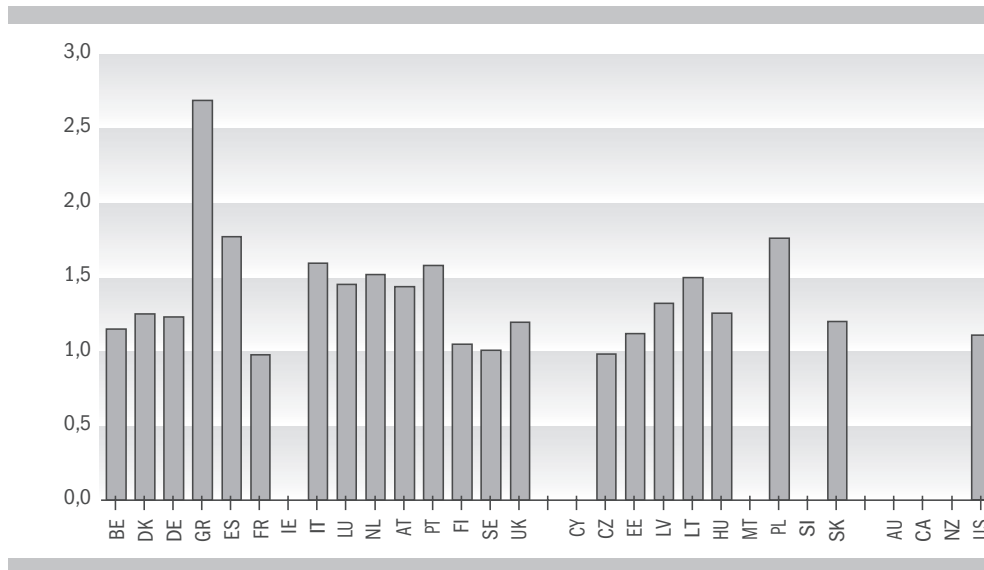
a Excluding debt interest payments (classified as property income consolidated) and foreign transfers (classified as others transfers consolidated).

Source: Eurostat; SCP revision

Unfortunately, no comparable information is available on wages in public administration, but there is some information on public sector wages in general. These public sector wages include earnings in health care, education, defence and law and order. The level of public sector spending in general depends heavily on costs of staff. In most countries, mean public sector wages surpass mean wages of all

employees in the economy (Figure 6.7). The ratio between public sector wages and all wages is almost unity in France, Finland, Sweden and Czech Republic. In all other countries, especially in Greece, this ratio is in favour of public sector employees. On average, public sector employees earned in 2002 about 37% more than employees in general. In part, this salary gap can be explained by the fact that government employees are on average better educated than market sector workers, given job requirements, for example in education and health care.

Figure 6.7 Ratio of public sector wages and all wages, 2002 (or latest available year)



Source: Eurostat; SCP revision

6.4 Administrative processes

The previous section considered various input variables for public administration. The government absorbs productive resources to perform its tasks and achieve certain effects in society. This chapter reviews administrative processes associated with the machinery that allows government to pursue its policies. Policy implementation is supported by administrative processes such as financial management, human resources management and information technology. This section looks at trends in financial management (Section 6.4.1), human resources management (Section 6.4.2), and e-government (Section 6.4.3). The scope of this section extends to the public sector in general, but the government – and the public administration in particular – is responsible for the quality of financial management, human resources and openness in the public sector. This creates a horizontal perspective in public sector policy.

6.4.1 Financial management

Various factors have prompted public authorities to modernise their budget cycle. The financial reform agenda consists of three major components: greater financial responsibility for management, results-based budgets and multi-year budgets.

Financial responsibility for management

Approval of the budget constitutes part of the legislative power's control function over the executive power. The New Public Management movement has shifted the focus from traditional *a priori* control to control in retrospect, and placed more emphasis on results and greater financial responsibility for management. This section indicates the extent to which governments in Europe are following this trend.

One indicator of the degree of parliamentary control over the budget and of management freedom is the degree of detail to which the budget is appropriated. Five levels of appropriation can be distinguished, corresponding to a declining degree of discretionary power and freedom for agency management:

- aggregated allocation at the level of broad programmes or outcomes;
- aggregated allocation at the level of government departments;
- aggregated allocation for staff and programmes at the programme level, appropriation per programme;
- appropriation for staff expenditure and programme expenditure; and
- disaggregated allocation within programmes.

The more aggregated the appropriation, the more freedom management has to change the budget allocation, giving it more flexibility to make adjustments in order to achieve the desired results. However, a higher level of appropriation usually goes hand in hand with a greater demand for policy information. This information should allow parliament to guide programmes towards the results envisaged.

Another indicator of the degree of parliamentary control and the degree of management freedom is end of year flexibility. This allows managers to carry any surplus budget allocation over to next year's budget. Although the principle of end of year flexibility is contrary to the traditional one-year budget principle, it does offer incentives to use resources more efficiently and can counteract wastage of resources at the end of the year ('December fever'). Budgets no longer have to be used up completely. End of year flexibility might be subject to certain conditions, such as a maximum transferable amount, approval by the finance minister or parliamentary approval.

Table 6.4 shows the level of parliamentary appropriation (X axis) and the degree of end of year flexibility (Y axis). When it comes to parliamentary appropriation, a number of scenarios are possible:

- Aggregate budget amounts for broad programme or outcome areas: envelope for each policy area or policy objective;
- Aggregate amounts for Ministries: envelope for each Ministry;
- Aggregate amounts of personnel and aggregate amounts at the Ministry level for programmes: staff envelope and programme envelope for each Ministry;
- Appropriations at the programme level: envelope for each programme;
- Appropriations split between personnel and programme spending at the programme level: staff envelope and programme envelope for each programme;
- Disaggregated appropriations at the programme level: detailed allocation to budget items within each programme.

End of year flexibility means that unused resources may be carried over to the following year. The following possibilities exist:

- “Yes, without limit”: unrestricted transfer of operational resources;
- “Yes, up to a maximum percentage”: limited transfer of operational resources;
- “Yes, as approved on a case by case basis by the Ministry of Finance or the Central Budget Authority”: transfer of operational resources possible only with approval of the central department responsible for administering the budget;
- “Yes, on a case by case basis according to the underlying statute”: transfer of operational resources possible only if specified in a statute;
- “Yes, with notification of the legislature”: transfer of operational resources possible only after parliament has been notified;
- “Yes, with the approval of the legislature”: transfer of operational resources possible only with parliamentary approval;
- “No”: no transfer of operational resources possible.

The countries with the highest degree of management freedom are in the bottom left corner of Table 6.4, those with the least discretionary powers in the top right. The table is based partially on a recent survey of budget practices by the OECD and the World Bank (OECD and World Bank 2003; Scheers and Sterck et al. 2003). Table 6.4 includes data for the EU-15, the new member states and other OECD countries such as the United States, Australia and New Zealand.

Table 6.4 Level of budget appropriation and end of year flexibility in the OECD

	level of appropriation					
	aggre- gated pro- gramme outcomes	aggre- gated at Ministerial level	aggregated staff & pro- gramme at pro- gramme level	at pro- gramme level	staff & pro- gramme expendi- ture	disaggre- gated at pro- gramme level
no		GR, IE		ES		US, SI
yes, with parliamentary approval		UK		NZ		
according to statute					BE	
yes, if approved by Min Finance		NL				AT, HU
yes, up to maximum					SE	
yes, without limit	AU		DK			FI

Source: OECD and World Bank (2003)

In some countries, parliamentary appropriation occurs at an aggregated level and it is possible to carry over unused budget resources at the end of the year, albeit sometimes only under certain conditions. This group includes Australia, Denmark, the Netherlands and the United Kingdom. Diametrically opposed to this group is a cluster of countries with less management freedom, where there is no end of year flexibility and parliamentary appropriation is very detailed (the US, Slovenia, Spain). In a number of countries, end of year flexibility is allowed subject to certain conditions, such as a maximum limit, parliamentary approval or the approval of the finance minister. This is the case, for example, in Belgium, Austria, Hungary, Portugal and Sweden. These countries combine conditional end of year flexibility with a relatively detailed level of parliamentary appropriation. A number of countries have both full end of year flexibility and disaggregated appropriation (Finland, Germany and Italy). A number of others have a highly aggregated budget, but no end of year flexibility (Greece and Ireland).

The third indicator of parliamentary control is the legislature's influence on the budget. To what extent does the budget ultimately approved by parliament differ from the budget originally submitted by the government? In the majority of the countries studied, the budget submitted by the executive is approved without major amendments (less than 3%). This is the case in Denmark, Germany, Spain, France, Italy, the Netherlands, Austria, Portugal, Finland, the Czech Republic, Hungary, Slovenia and the United States. Some countries in the OECD-World Bank survey even reported that parliament approved the budget without any amendments (Belgium, Greece, Ireland, Sweden, the United Kingdom, Australia, New Zealand and Canada) (OECD and World Bank 2003).

Results-based budgets

The growing importance of efficiency and effectiveness has prompted governments to focus more and more on results as the basis for their budgets. Information on output and outcome is included in the budget. A number of countries are in fact moving towards accrual budgeting, a system of costs and benefits. Table 6.5 depicts the trend towards more result-based budgeting. First, we have classified countries on the basis of the use of output and outcome information in budgets. We then went on to classify them on the basis of their method of reporting receipts and outlays: cash or accrual. In a *cash-based budget system*, the actual cash receipts and expenditure for the budget period are estimated. An *accrual budgeting system* focuses on resources used and the associated costs, and claims on receipts that arise during the budget period. Table 6.5 shows the percentage of spending programmes in the budget for which performance information is given (from 0% to 100%). The Y axis shows the method of charging (from full cash to full accrual). The table is based partially on a recent survey of budget practices by the OECD and the World Bank (OECD and World Bank 2003; Scheers and Sterck et al. 2003). It includes data for the EU-15, the new member states and other OECD countries such as the United States, Australia and New Zealand.

Table 6.5 Use of performance information in budget and method of charging

Method of charging	percentage of programs for which performance information is contained in the budget documentation					
	0%	1%-25%	25%-50%	50%-75%	75%-99%	100%
full accrual						AU, NZ
cash and accrual	IT				FI	SE
cash and commitment		BE			DK	US, NL
full cash	IE, PT, AT	DE, GR, CZ		SI		ES

Source: OECD and World Bank (2003)

The first cluster consists of countries which have full or partial accrual budgeting whereby performance information is provided for all programmes (Australia, New Zealand, Finland and Sweden). The second group comprises countries which include performance information in the budget documents, but have opted not to make the move to accrual budgeting (the US, the Netherlands⁸, Denmark, Slovenia and Spain). The third group of countries maintain the traditional line-item cash budget geared mainly to inputs, with little performance information (Ireland, Portugal, Austria, the Czech Republic and Greece).

A number of positions allocated to countries in Table 6.5 seem questionable. For instance, according to the OECD-World Bank survey, all of the Netherlands' budget programmes include performance information. Reports from the Netherlands' Court of Audit, however, show that this is not yet the case (Algemene Rekenkamer 2002; Algemene Rekenkamer 2003). There is therefore a gap between aspirations concerning results-based budgeting and its actual implementation. The positions of Sweden and Spain should also be put into perspective. However, the OECD and World Bank survey does not take account of differences between rhetoric and reality.

Multi-year budgets

The third trend in the modernisation of government finances has been a move towards multi-year budgets. Most countries add multi-year forecasts to their budgets to place their annual income and expenditure in a longer-term perspective. In most cases, these forecasts are purely informative and do not require parliamentary approval. However, in Italy and the United States, parliament does have to approve the multi-year budget. Table 6.4 shows which countries have a multi-year budget, and what exactly its status is.

⁸ In 2001 the Netherlands announced it intended to introduce accrual budgeting for all ministries, as it had done previously for *baten-lastenagentschappen* (executive agencies). However, in 2003 the Minister of Finance decided to alter this policy towards a partial implementation of accrual budgeting.

Table 6.6 Existence and status of multi-year budgets

	yes	no
does the annual central government budget documentation submitted to the legislature contain multi-year expenditure estimates?	BE, DK, DE, GR, FR, IE, IT, NL, PT, SE, UK, HU, SI, AU, US, NZ, CA	ES, AT, FI, CZ,
do these expenditure estimates require authorization by the legislature?	IT, US ⁹	AU, AT, BE, CA, CZ, DE, DK, ES, FI, FR, GR, HU, IE, NL, NZ, SI, SE, UK

Source: OECD and World Bank (2003)

6.4.2 Human resources management

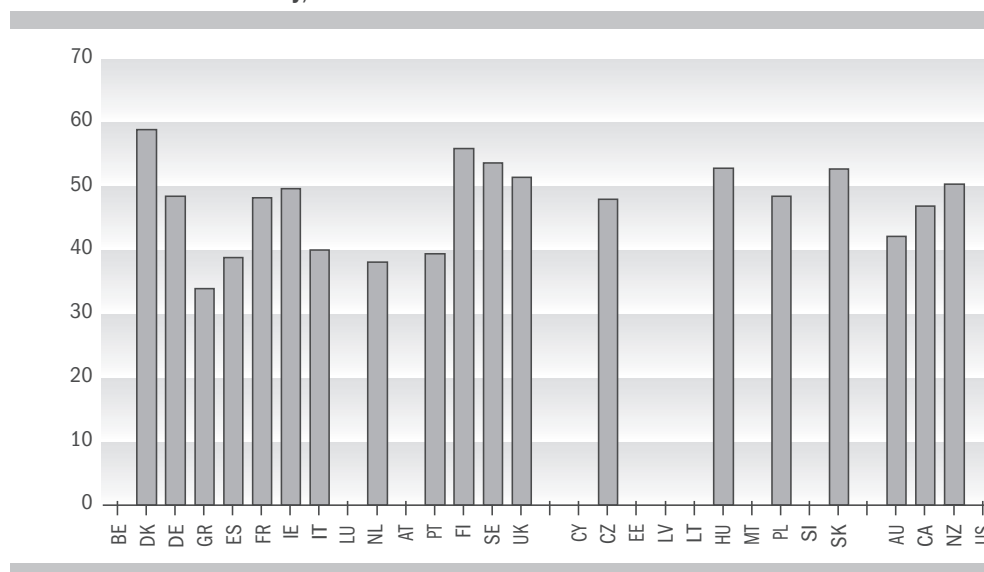
Personnel policy, or human resources management is another horizontal policy area within the public sector currently experiencing change. Strategic human resources policy, competency management, equal opportunities policy and public service motivation are key concepts in the modernisation of human resources management (HRM) in the public sector. One important choice in public-sector HRM policy is whether to attempt to ensure that the staff profile reflects the composition of the population. Moreover, the Lisbon agenda aims to raise the employment rate of women from an average of 51% in 2000 to more than 60% by 2010. This section therefore looks at the number of female public servants and the age profile of the public service.

Figure 6.8 shows the proportion of female staff in the public administration and defence sector.¹⁰

⁹ The multi-year expenditure estimates are approved by Congress, apart from the appropriation bills for the budget year

¹⁰ ISIC Rev. 3 (UN Classifications Registry): ISIC L – Public administration and defence; compulsory social security & ISIC M – Education. Public servants can also be employed in other categories, M (health and social work) or O (other community, social and personal service activities).

Figure 6.8 Employment of women in public administration, defence and compulsory social security, 2002



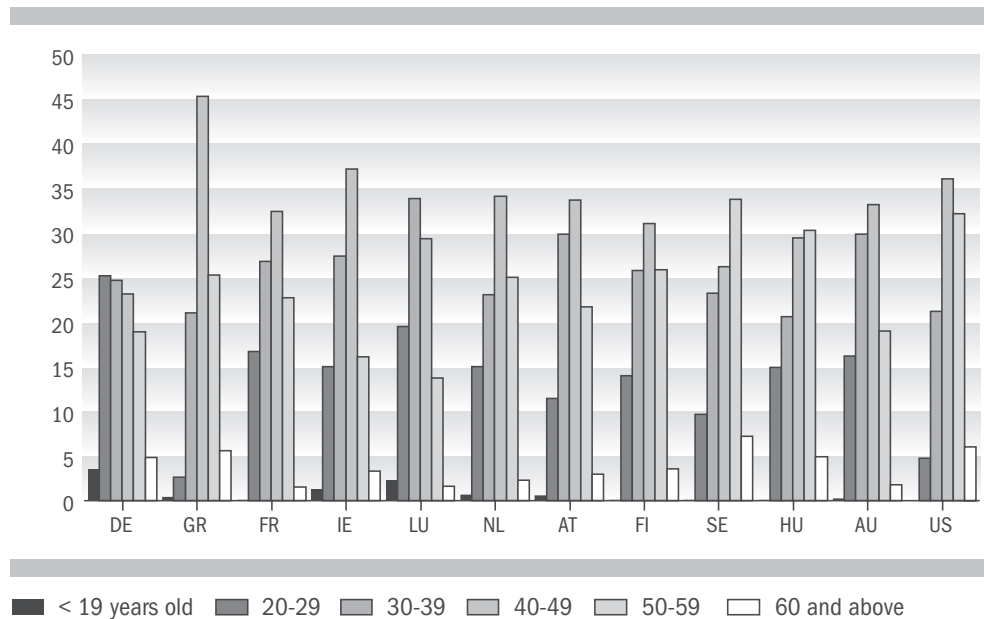
Source: OECD online database

An average of 47% of staff in the public administration and defence sector are women. The average is much higher in education, at 69%, while in the health care and social welfare sector it is no less than 80%. We shall focus our attention here on the proportion of female staff in public administration, defence and compulsory social security. The proportion of female staff in this sector is well above average in Denmark, Finland and Sweden. In Hungary and Slovakia, too, there are more female than male staff in this sector. The United Kingdom and New Zealand also score above average. A number of countries fluctuate around the average: Ireland, Germany, France, Poland, the Czech Republic and Canada. In a number of Southern European countries, such as Spain, Portugal and Italy, the representation of women in the public sector is some 10% lower than the overall average. The proportion is even lower in Greece. Notably, the proportion of female staff in the Dutch public administration and defence sector is also well below average (38%). Figures from Statistics Netherlands confirm and indeed reinforce this conclusion, indicating that only 35% of jobs in public administration and compulsory social security^{II} are held by women (CBS 2004).

Figure 6.9 shows staff in the public sector by age group. The graph reveals that 40- to 49-year-olds are most strongly represented in the public service. Exceptions are Sweden, where 50- to 59-year-olds constitute the largest group, and Germany, which has relatively young public servants. In the majority of countries, there are more older public servants (over-50s) than young public servants (aged 20 to 29). Ireland and Germany, however, seem to have enjoyed more success than other countries in attracting young people to the public service. In these two countries, staff in their 20s account for more than a quarter of all public servants, and the 18-19 age group is also relatively large.

^{II} Category 75, SBI 1993.

Figure 6.9 Staff in central/federal government by age group, 2002



Source: OECD/PMC (2002)

The problem of demographic ageing also presents the public sector with a major challenge. The preponderance of staff aged over 50 in the public service has increased steadily since 1990. As the baby boom generation (born between 1945 and 1955) retires over the next ten years, the public service may face a growing staff shortage. Personnel planning and the recruitment of young staff by promoting the public sector as a good employer are therefore key objectives of current human resources policy.

6.4.3 e-Government

The development of a knowledge-based society also has implications for the services and communications of the public sector. There is a general tendency in the public sector towards automating bureaucratic procedures and processes, and electronic interaction with citizens. However, e-government is a very broad concept, ranging from electronic communications, via online services to e-democracy and e-participation. e-Government is one of the newest forms of modernisation in the public sector, and it is being followed closely by research centres and international organisations. In this field, benchmarks are frequently used to compare and rank countries (Jansen et al. 2004). The focus in this section is on three such benchmarks.

The United Nations and the American Society for Public Administration (ASPA) have developed an e-government index based on countries' official online presence, their telecommunications infrastructure and their human development capacity. This benchmark defines e-government as utilising the Internet and the World Wide Web to deliver government information and services to citizens. Table 6.7 ranks countries on the basis of this benchmark.

Table 6.7 Ranking of EU-15, accession countries and other OECD countries in the e-government index compiled by the United Nations and the American Society for Public Administration

1	US	11	FI	21	LV
2	AU	12	FR	22	LI
3	NZ	13	ES	23	GR
4	UK	14	IT	24	SK
5	CA	15	IE	25	SI
6	NL	16	PT		
7	DK	17	AT		
8	DE	18	CZ		
9	SE	19	EE		
10	BE	20	PL		

Source: ASPA and UN (2002)

The second benchmark, the *Networked Readiness of Nations* (NRN) was compiled by Harvard University's Centre for International Development (Table 6.8). It uses a broad definition of *e-government*, which includes *e-administration*, *e-business*, the presence of infrastructure and IT know-how. The indicators used in this benchmark include the number of online services, the number of online transactions, subsidies for *e-government*, promotion of IT by government and the *e-government* environment (e.g. public access to the Internet).

Table 6.8 Ranking of EU-15, accession countries and other OECD countries in the *Networked Readiness of Nations* Benchmark

1	FI	11	FR	21	LV
2	US	12	IE	22	PL
3	SE	13	BE	23	SK
4	CA	14	NZ	24	GR
5	UK	15	EE	25	LI
6	DK	16	ES		
7	DE	17	IT		
8	NL	18	CZ		
9	AU	19	PT		
10	AT	20	SI		

Source: Harvard University Centre for International Development (2003)

The third benchmark is the *e-Readiness Ranking* (ERR) 2003 produced by the Economist Intelligence Unit (Table 6.9). Here, too, a broad definition of *e-government* is used. Indicators include public expenditure on IT as a proportion of GNP, the quality of Internet connections, financial support for IT projects, and the number of PCs and Internet connections.

Table 6.9 Ranking of EU-15, accession countries and other OECD countries in the e-Readiness Ranking (ERR), 2003

1	SE	7	CA	13	BE
2	DK	8	AU	14	FR
3	US	9	DE	15	IT
4	UK	10	AT	16	PT
5	NL	11	IE	17	ES
6	FI	12	NZ	18	GR

Source: EIU/IBM (2003)

Although the three benchmarks do not use the same indicators, the correlation between ranking orders in Tables 6.7 through 6.9 would appear to be significant. Countries that score high on one benchmark also tend to score high on the others. The only exceptions are Finland and New Zealand, for which varied pictures emerge.

The US has the best average score on all three e-government benchmarks, and three Scandinavian countries appear in the top five: Sweden (2), Finland (3) and Denmark (5).¹² The United Kingdom comes in fourth place. The majority of countries have an average score. This group includes a number of countries in continental Europe: the Netherlands (7), Germany (8), Austria (10), France (11) and Belgium (13). Canada (6), Australia (9) and New Zealand (12) are also in this group. A small number of countries score below 5: Ireland (14) and a group of Southern European countries (Italy (15), Spain (16), Portugal (17) and Greece (18).

The United Nations and ASPA Networked Readiness of Nations benchmark also includes data on the newly acceded EU member states (with the exception of Malta and Cyprus). These countries score less well than the EU-15 and Canada, the United States, Australia and New Zealand. The new member countries that have progressed furthest in the field of e-government are Estonia (1), the Czech Republic (2) and Slovenia (3), followed by Poland (4), Latvia (5) and Slovakia (6). Lithuania (7) has the poorest scores.

6.5 Performance

A well-functioning and reliable public administration is an essential factor for economic growth. However, there are no objective indicators of the efficiency and effectiveness of public administration. Because the whole nation takes advantage of services produced by public administration, they can be classified as social goods: consumption is non-rival and nobody can be excluded from consumption (Musgrave and Musgrave 1984). In the absence of individual consumers, the functioning of the

¹² The average score differs from the average ranking; especially the ranking of Germany, Finland and Canada differs: Germany takes position 5 on the base of average scores and position 9 on the base of average ranking; Finland takes position 3 respectively 6 and Canada takes position 7 respectively 4.

public administration can only be measured by subjective indicators. These indicators reflect trust of the population in public administration and confidence in the Civil service. Of course, the lack of information about the performance of public administration can be explained by the very nature of its products: legislation, policy and management. No 'natural' performance indicators are available for these activities. However, some public administration activities can be regarded as individual services, like the issue of passports or the entering of transactions in the land register. In Kuhry en Veldheer (2004) objective performance indicators are defined for the majority of municipal services. However, we don't have access to similar detailed data for other countries.

While subjective indicators yield useful information, they must be approached with caution, for two reasons (Van de Walle et al. 2004). Firstly, a negative attitude towards the public sector on the part of the general public can lead to a negative perception of its performance. Such an attitude might arise from the general cultural context, and therefore have little to do with objective performance. Secondly, expectations of the citizenry will affect their perception of public sector performance. Satisfaction and perception are determined partly by expectations. In countries with traditionally strong services, people will expect a lot of the public sector. If their expectations are not met, they will award low performance scores, even if the objective performance of the public sector is better than in countries where people expect less of their government.

It is already hard to measure the performance of public administration at all, but even more difficult to make cross-national comparisons of administrative performance. Only global judgements about the functioning of government and the public administration can be used to measure the performance of public administrations. The Dutch government states that citizens may expect an integer, transparent, credible, responsive, effective and efficient government in exchange for taxes and trust they make available (TK 2003). In general, public administrative systems are founded on the following principles (Vidlakova 1999): trust and credibility, openness and transparency, accountability, efficiency and effectiveness. These principles were an important condition for the new member states to enter the European community.

6.5.1 Quality of government

The well functioning of the government is an important dimension of the performance of public administrations. A major source for measurement of well functioning governments- called hereafter government quality - is a survey among representatives of the business community in a range of countries (IMD 2003). More than 4,000 respondents in about 60 countries answered questions about economic performance and government quality.

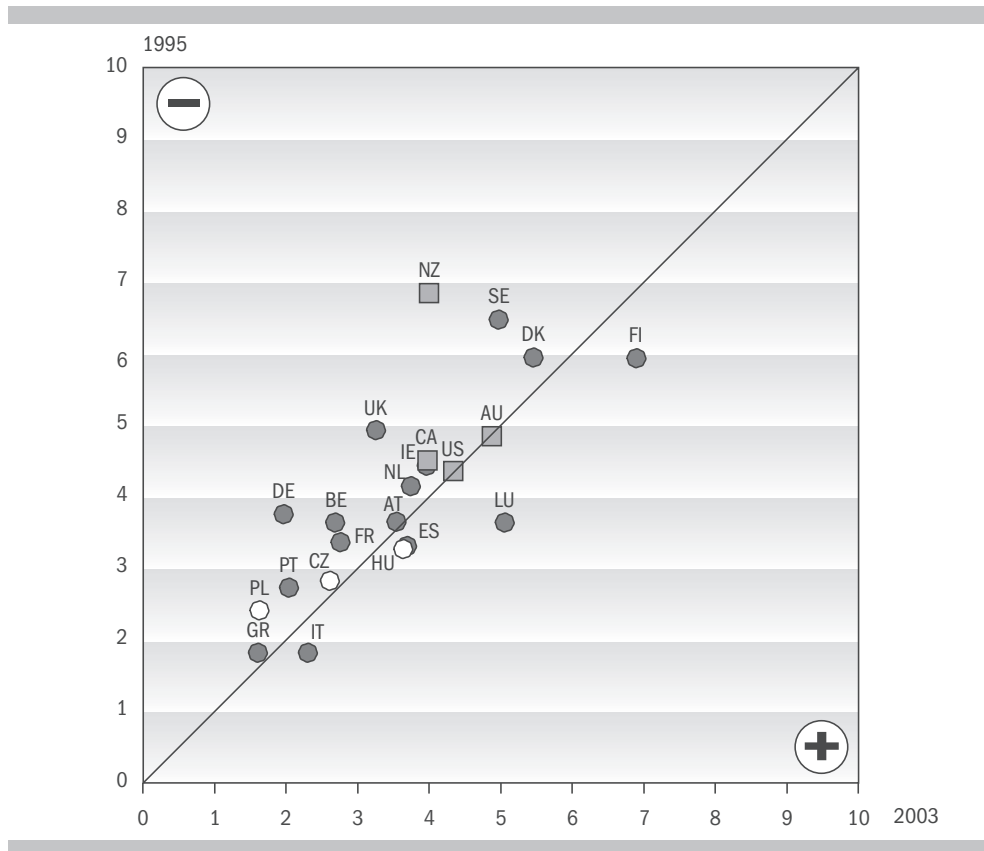
Four indicators of government quality are selected, based on the principles of well functioning administrative systems:

- level of bureaucracy: does bureaucracy hinder business activity?

- level of transparency: is transparency of government policy satisfactory?
- level of effectiveness: are government decisions effectively implemented?
- level of corruption: do bribing and corruption exist in the economy?

The level of corruption is included in the IMD index of government efficiency. However, because Transparency International publishes a widely used composite index of corruption, including the IMD index, this composite index will be used instead of the IMD index (www.transparency.org).¹³ On the next indices, zero is the worst possible score and ten the best possible.

Figure 6.10 Bureaucracy does not hinder business activity, 1995 and 2003^a



● EU-15 ○ new member states ■ non-EU Anglo-Saxon

a scale: 0-10 (0 = total bureaucracy; 10 = no bureaucracy);
Scores only available for 2003: EE (4,7), SI (2,2), SK (1,9)

Source: IMD (1995, 2003)

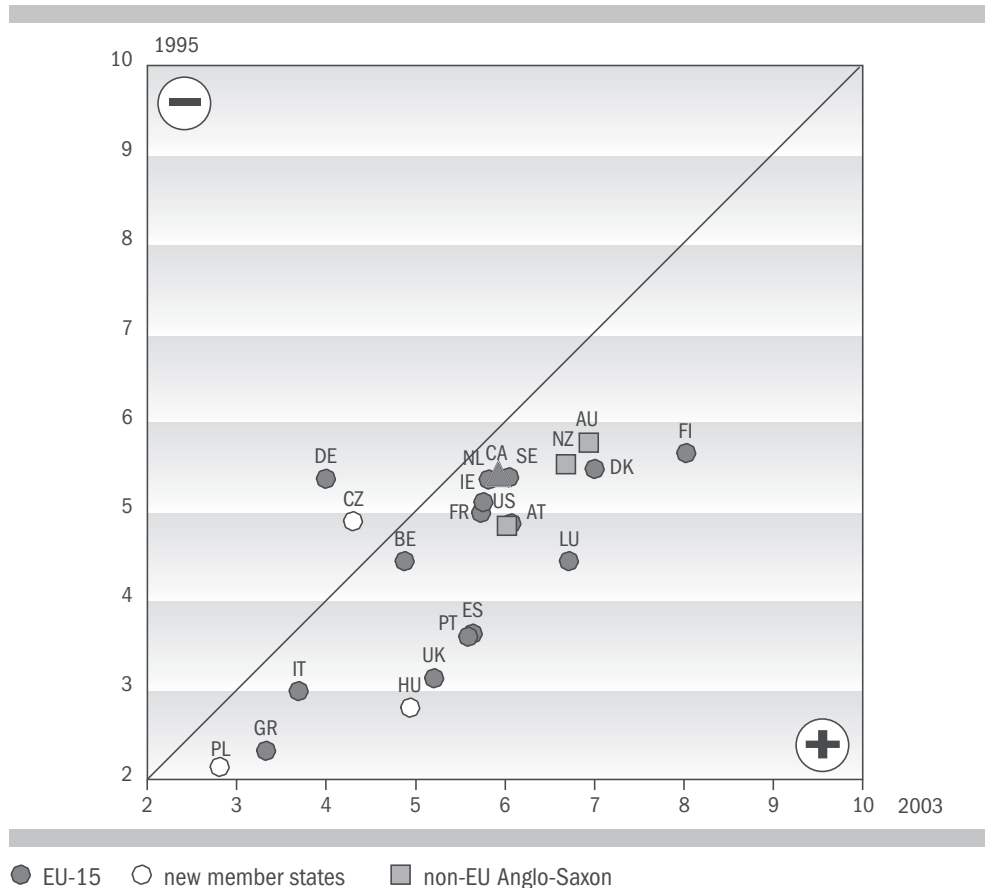
Bureaucracy seems to hinder economic activities more in southern than in northern European countries (Figure 6.10). In 2003, countries with the most favourable outcome

¹³ This composite index of Transparency international (TI) is compiled of different indices, of which the IMD index, World economic forum index, World bank index and Gallup international index. Both corruption indices (IMD and TI) are highly correlated ($r > 0,96$).

are Finland, Denmark, Luxembourg and Sweden. The ranking of Germany amongst the less performing southern countries is striking. Differences between the new member states are also worth mentioning. Between 1995 and 2003 the perception of the level of bureaucracy shows an upward trend. Especially in New Zealand but also in Germany, Sweden and the United Kingdom the level of bureaucracy has risen substantially. Luxembourg and Finland counter this trend and have moved to a lower level of bureaucracy.

Transparency of government is judged markedly more positive than is bureaucracy (Figure 6.11). Even though differences between countries are smaller, roughly the same ranking emerges. Within the EU-15 area, northern countries generally perform well and southern countries perform less. But this pattern is less manifest than with bureaucracy. Compared with its position on bureaucracy, Portugal performs better on transparency. Obviously, the level of transparency has strongly improved between 1995 and 2003. Only two countries, Germany and the Czech republic, deviate from this positive trend. Transparency has increased most in Finland, Luxemburg, Spain, Portugal, Hungary and the United Kingdom.

Figure 6.11 Transparency of government is satisfactory, 1995 and 2003^a

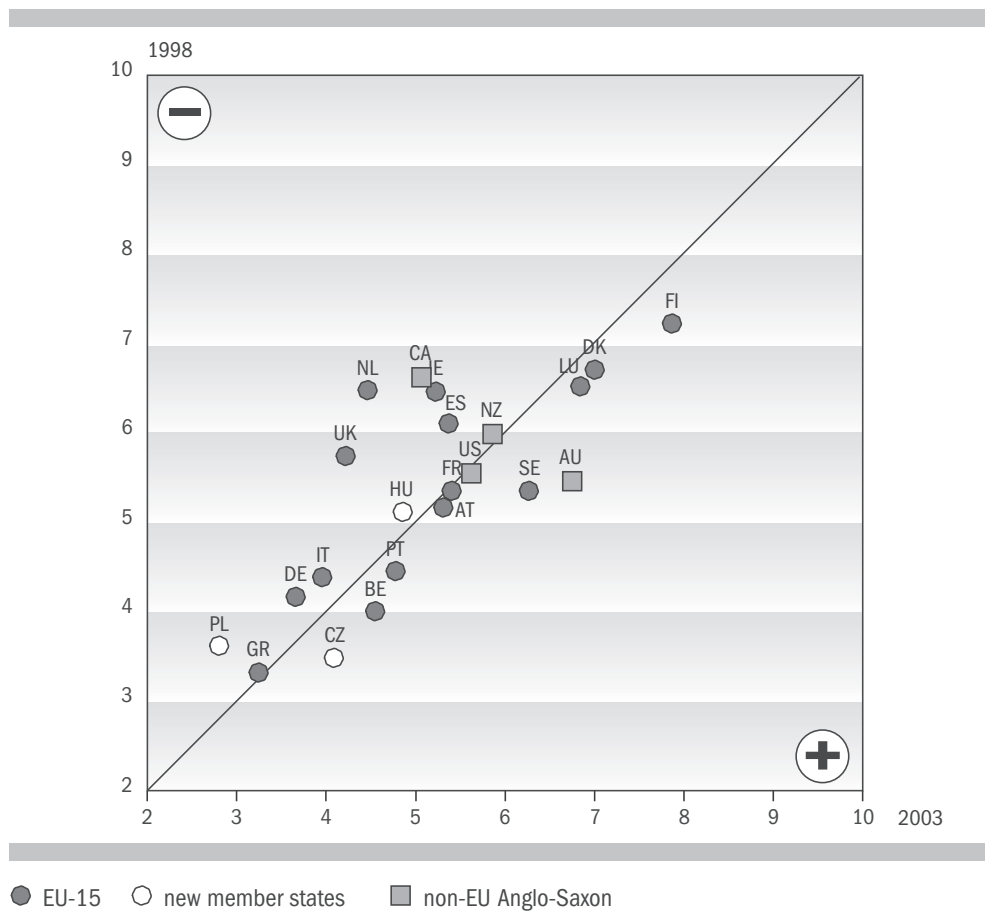


● EU-15 ○ new member states ■ non-EU Anglo-Saxon
 a scale: 0-10 (0 = no transparency; 10 = full transparency)
 Scores only available for 2003: EE (6,0), SI (4,3), SK (5,1)

Source: IMD (1995, 2003)

An important indicator for the quality of the government is effective implementation of decisions and regulations. Government decisions seem to be implemented very well in Scandinavian countries (Figure 6.12). Greece, Germany and Italy seem to experience some problems in implementing government decisions. Differences between the new member states are smaller, as compared with bureaucracy and transparency, but their ranking is about the same. The perception of effective implementation of governmental decisions did not change much between 1998 and 2003. Some countries improved the implementation of their decisions according to the business community (Australia, Sweden) but some did not (Netherlands, Canada, Ireland and the United Kingdom).

Figure 6.12 Government decisions are effectively implemented, 1998 and 2003^a

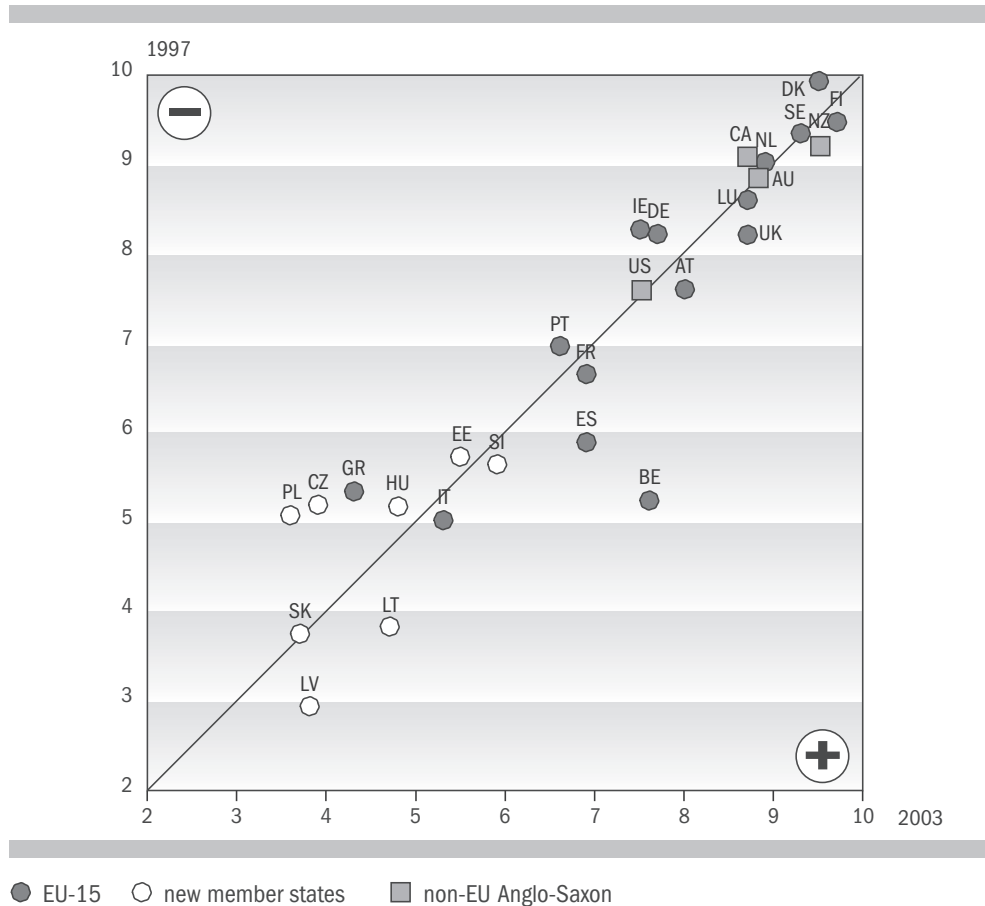


● EU-15 ○ new member states ■ non-EU Anglo-Saxon
 a scale: 0-10 (0 = not effective; 10 = full effective)
 Scores only available for 2003: EE (5,1), SI (3,9), SK (3,6)

Source: IMD (1998, 2003)

Another important dimension of the quality of government is absence of corruption. The differences between European countries are significant. Confidence in public services appears to be linked to perceived corruption. In countries where there is believed to be a lot of corruption, citizens do not tend to have confidence in the administration.

Figure 6.13 Perception of corruption, 1997 and 2003^a



● EU-15 ○ new member states ■ non-EU Anglo-Saxon
 a scale: 0-10 (0 =total corruption; 10 = no corruption)
 Source: www.transparency.org

Figure 6.13 compares scores on Transparency International’s corruption perceptions Index for the EU-15 and the new member countries in 1997 and 2003. The Scandinavian countries head again, and the central European countries trail behind the rest. Among the Western European countries, the poor scores of Italy and Greece are striking, as well as the poor scores of most new member states in eastern Europe. Belgium, in particular, is experiencing an upward trend. Italy, Lithuania and Latvia are also making progress, although – on the basis of these results – they still have a long way to go to reach the current European average. Poland, the Czech Republic and Greece have declining scores and Latvia, Lithuania and Spain have rising scores.

6.5.2 Openness of government

Freedom of information is a fundamental right in a democracy. The importance of open and transparent government is universally recognised. Although freedom of information has been enshrined in law for centuries in some countries, most of the legislation allowing access to government information has been passed in the last ten or twenty years, in response to the democratisation of countries in transition,

scandals, the modernisation of the public sector, the growth of the knowledge-based society and international pressure. Sweden was a pioneer, passing its Freedom of the Press Act in 1766. Other early birds were the United States (Freedom of Information Act 1966), France and Australia. Most industrialised countries took steps towards legislation on access to government information in the 1980s and early 1990s. One exception is the United Kingdom, which did not pass its Freedom of Information Act until 2000. This particular legislation will not come into force until 2005. In Central and Eastern Europe, the fall of the Communist regimes allowed freedom of information to be enshrined in the constitution and the statute books. Most of these countries passed freedom of information legislation in the late 1990s/early 2000s.

Access to information is a constitutional right in most countries. The openness of government is also regulated by legislation. Firstly, there are laws that determine procedures. Freedom of Information Acts stipulate the type of documents that should be in the public domain, institutions subject to the legislation, response times, any exceptions and appeal procedures in the event of a refusal. The most common reasons cited for refusing access to information are national security and international relations, privacy, commercial confidentiality, law and order, respect for the confidentiality in which information was given and the internal nature of certain debates among policy makers. Most countries also have specific legislation relating to classified information. The protection of personal data and access to individual information are also regulated separately in most countries. Legislation gives people access to their own personal files held by both public and private institutions.

Deadlines for responding to requests for information differ from country to country. In Sweden, Denmark and Belgium the authorities are obliged to respond immediately. On average, legislation stipulates a maximum of 19 days for the release of the information. Spain has the longest deadline, with officials having up to three months to furnish the requested information.

Table 6.10 shows the degree of government openness in the EU-15, the accession countries and other OECD countries. The figures reflect whether the principle of transparency is laid down in the constitution, when the first freedom of information laws were passed, what legislation on transparency is currently in place, the situation regarding classified information and protection of and access to personal data and, finally, the deadline for responding to requests for information. The data are based on surveys of the openness of government (Banisar 2003; Mendel 2003).

Table 6.10 Openness of government in the EU-15, the accession countries and other OECD countries

	con-stitution	current freedom of Information; legislation	legislation on classified information	legislation on the protection of and access to personal data
SE	yes	Freedom of the Press Act 1976	Secrecy Act 1980	Personal Data Act 1998
DK	no	Access to Public Administration; Files Act 1985	-	Act on Processing of Personal Data
US	no	Freedom of Information Act 1966 as amended by the Electronic Freedom of Information Act 1996	Presidential Records Act	Privacy Act of 1974
FR	-	Law on Access to Administrative Documents 1978	Loi du 8 juillet 1998 instituant une Commission ; Consultative du secret de la défense nationale	1978 Data Protection Act
NL	yes	Government Information (Public Access) Act 1991	-	Personal Data Protection Act of 2000
NZ	no	Official Information Act 1982	Official secrets Act 1951	Privacy Act 1993
AU	no	Freedom of Information Act 1982	266 (2001-2002)	Privacy Amendment Act 2000
CA	no	Access to Information Act 1983 as amended by the Terrorism Act 2001	Security of Information Act	Privacy Act of 1985
AT	yes	Federal Law on the Duty to Furnish Information 1987	-	Data Protection Act 2000
IT	no	Law n°241 of 7 August 1990	-	Data Protection Act of 1996
HU	yes	1992 Protection of Personal Data and Disclosure of Data of Public Interest	Secrecy Act of 1995	1992 Protection of Personal Data and Disclosure of Data of Public Interest
ES	yes	Law on Rules for Public Administration 1992	-	Personal Data Protection Act 1999
PT	yes	Law of Access to Administrative Documents 1993	Law of State Secrecy 1994	Act on the Protection of Personal Data 1998
BE	yes	Wet van 11 april 1994 op de openbaarheid van bestuur	Law on the Security of Information 1998	Law on the Protection of Personal Data 1992
LI	yes	Law on the Provision of Information to the Public 1996	Law on State Secrets and Official Secrets 1999	Law on Legal Protection of Personal Data 2003
IE	no	Freedom of Information (Amendment) Act 2003	Official Secrets Act 963	Data Protection Act 1988 as amended by the Data Protection (Amendment) Act of 2003
LV	yes	Law on the Freedom of Information 1998	State Secrets Act 1996 as amended in 2001	Law on Personal Data Protection

Table 6.10 Openness of government in the EU-15, the accession countries and other (cont.) OECD countries

	con-stitu-tion	current freedom of Information; legislation	legislation on classified information	legislation on the protection of and access to personal data
FI	yes	Act on the Openness of Government Activities 1999	-	Personal Data Act 1999
CZ		Law on Free Access to Information 1999	Protection of Classified Information Act 1998	2000 Data Protection Act
GR	yes	Code of Administrative Procedure 1999	-	Law on the Protection of Individuals with regard to the processing of personal data
EE	yes	Public Information Act 2000	State Secrets Act 1999	Data Protection Act
SK	yes	Act on Free Access to Information 2000	Act on Protecting Classified Information 2001	Act on Protection of Personal Data
UK	no	Freedom of Information Act 2000	Official Secrets Act 1989	Data Protection Act 1998
PL	yes	Law on Access of Public Information 2001	Classified Information Protection Act 1999	Act on Protection of Personal Data 1997
SI	yes	Act on Access to Information of Public Character 2003	Classified Information Act 2001	Personal Data Protection Act

-.: not available

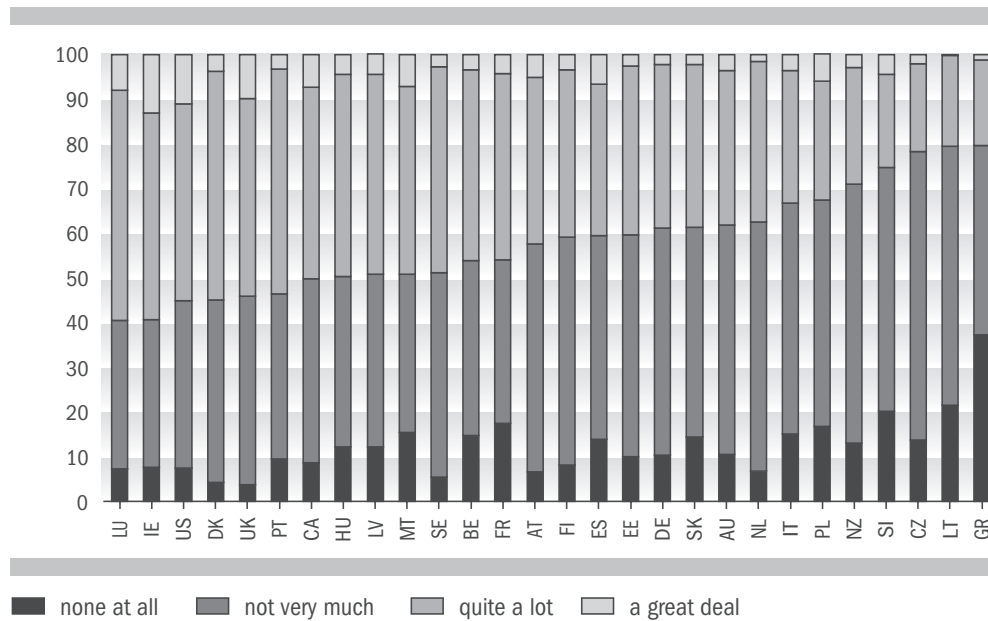
Source: Banisar (2003); Mendel (2003)

6.5.3 Confidence in the Civil service

Confidence in public institutions has been widely researched by political scientists. In general, trust in government is declining in almost all modern welfare states (Dalton 2004). The World Values Survey (wvs) is the most important source to investigate cross-national differences in confidence and trust. This worldwide survey, conducted by a network of social scientist around the world, is performed on nationally representative samples of at least 1,000 respondents and includes questions about confidence in different public institutions. According Rothstein & Stolle (2002) three types of public institutions can be distinguished: political (parliament, government), controlling (media) and implementing (police, justice, school, hospital) institutions. The civil service is in between those three types of public institutions, but resembles most the controlling type.

Confidence in the Civil service differs strongly across countries (Figure 6.14). The EU-15 countries are both scattered at the left side (much confidence) as well as the center and right side (less confidence) of the range of values. The same holds for the non-EU Anglo-Saxon countries and – to a smaller degree - for the new member states. Residents of Luxembourg and Ireland are the most positive about their Civil service and the residents of Greece and Lithuania are the least positive.

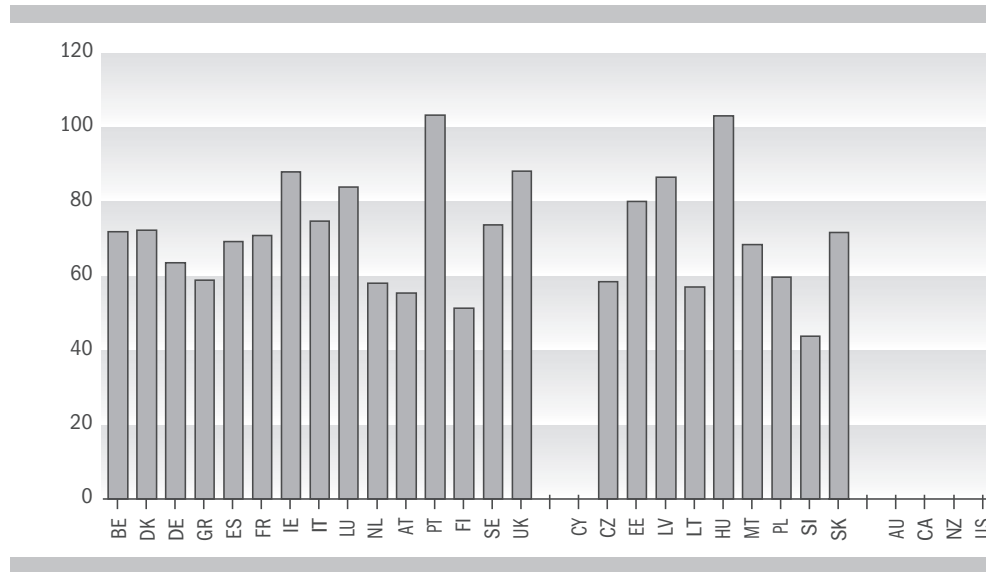
Figure 6.14 Confidence in the Civil service, 2000



Source: European Values Survey (2000); World Values Survey (1995-1997)

Confidence in the Civil service can be compared with confidence in other institutions delivering public sector services, like health care, safety, justice, education and social security (Figure 6.15). On average, confidence in the Civil service amounts to about 70% of mean confidence in other public sector institutions. Only in Portugal and Hungary the Civil service is able to compete with other public sector institutions. The Civil services in Ireland, the United Kingdom, Luxembourg and Latvia perform relatively well on confidence, but this is certainly not the case in Slovenia and Finland.

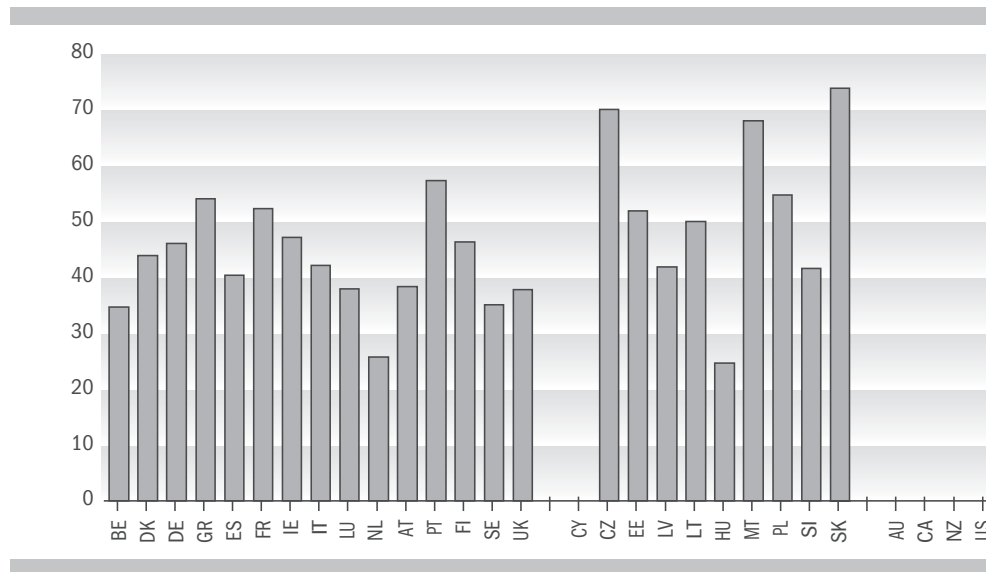
Figure 6.15 Confidence in the Civil service as percentage of average rating of public sector services, 2000



Source: European Values Survey (2000)

An important issue in some countries is the level of decentralization of public services. One argument in favour of decentralization is better fine-tuning of supply of public services to demand, because the needs and preferences of citizens are in principle better known at the local level. One argument against decentralization is the unequal regional allocation of public services that may result. In general, the population supports the idea to enlarge the competence of local authorities (Figure 6.16). On average, about 46% of the residents of all selected countries are in favour of handing down greater powers to local authorities. A lot of residents don't have an opinion on this matter and only a minority of 25% feel decentralization to be a bad idea.

Figure 6.16 Percentage of population that thinks that more power to local authorities is a good thing, 2000



Source: European Values Survey (2000)

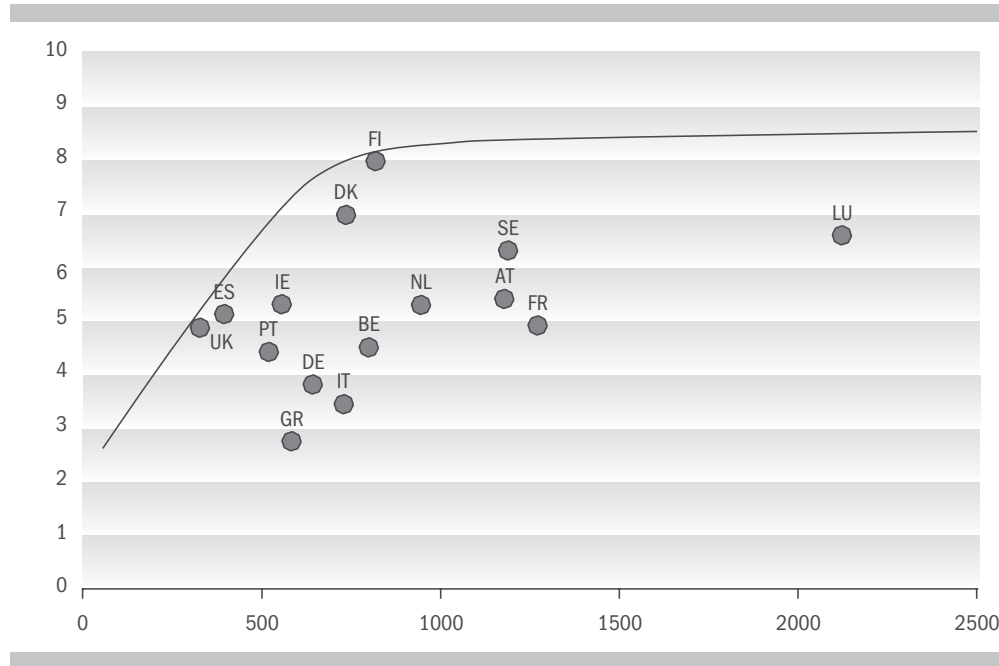
Opinions differ strongly between countries. Especially in the new member states, except for Hungary, residents are in favour of shifting power to local authorities. This is not surprising, given the high level of centralization in the former socialist republics. Nowadays, the process of decentralization is well under way. In the EU-15, only residents of the Netherlands are clearly in favour of central government and don't like to give more power to local authorities.

6.5.4 Quality, confidence and expenditure

The public administration produces public services like legislation, public policy and public management. In general, no clear indicators are available to measure the production of this kind of public services. Because of the lack of objective indicators, the effectiveness of public administration is measured here by using subjective indicators. In previous sections two types of subjective indicators were presented: subjective judgements of government quality and confidence in the Civil service. Subjective quality refers to the perception of governmental bureaucracy, transparency, effectiveness and corruption expressed by representatives of the business community in different countries (IMD 2003). Confidence refers to the perception of the performance of the Civil service by a representative sample of the population (WVS 2000).

Effectiveness of public administration can be expressed in subjective terms by relating expenditure to subjective quality (Figure 6.17) and confidence (Figure 6.18). Subjective quality of the government is a composite index of perceived bureaucracy, transparency, effectiveness and corruption, and is related to expenditure on general public services per capita.

Figure 6.17 Subjective quality of government (2003) and expenditure per capita on general public services, 2001 (nl €)

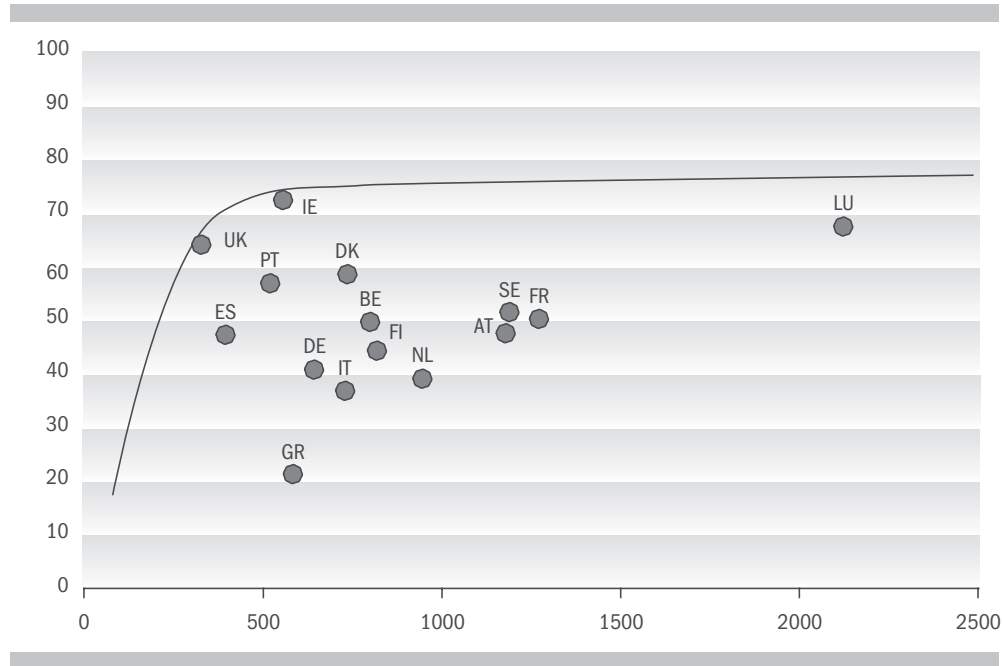


Source: IMD (2003) and Eurostat

In both figures there is a weak relation between expenditure and subjective performance. The most striking observation is the location of Finland and Denmark, combining fairly moderate expenditure with high subjective quality. Luxembourg is also characterized by high quality, but pays a considerably higher price. The lowest spending countries in Figure 6.17 perform in general at a lower level and the highest spending countries at a higher level. In Figure 6.18 this weak relation is hardly observable. As far as there is any relation between expenditure on general public services and subjective performance, this relation cannot be interpreted as a causal relation without closer investigation. Other factors related to expenditure as well as subjective performance can explain the observed relation. In this report, the relations between expenditure and performance are not checked on possible intervening factors.

Expenditure on general public services can also be expressed in relative terms, as percentage of GDP, and related to quality and confidence. However, in general this does not change the presented pictures. Of course, Luxembourg moves halfway to the left (above the Netherlands) and Ireland and Spain change positions in figure 6.17. But the favourable positions of Finland, Denmark and - to a lower degree - the UK in figure 6.17 are preserved, as are the unfavourable positions of Greece, Italy, Germany and France. In figure 6.18 only Luxembourg moves halfway to the left and the remainder of the picture is roughly preserved.

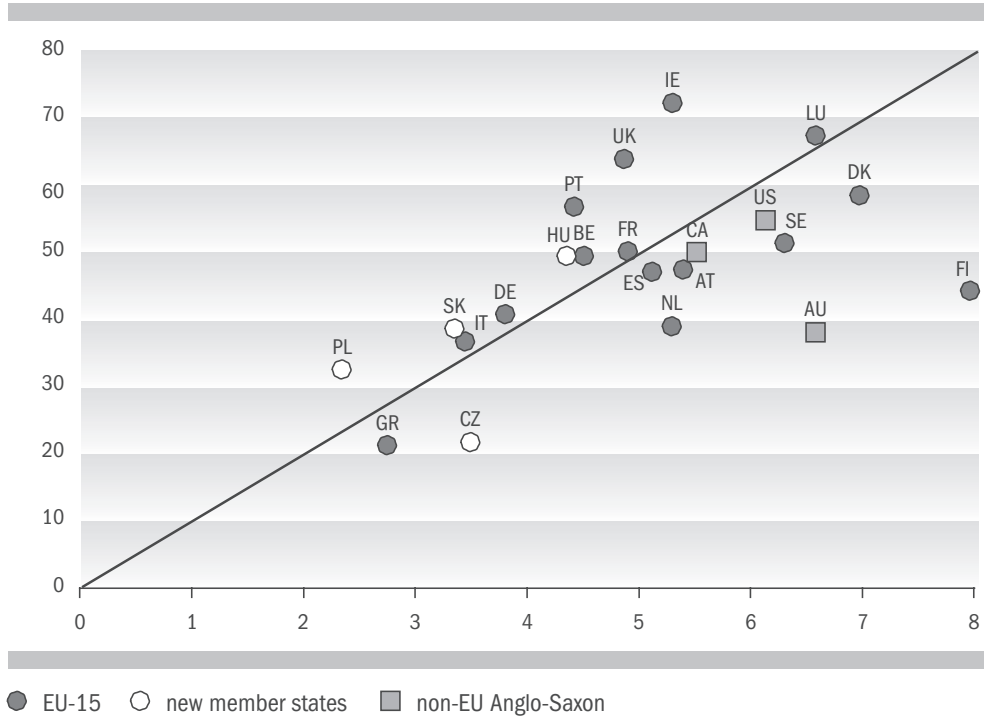
Figure 6.18 Confidence in the Civil service (2000) and expenditure per capita on general public services, 2001 (nl€)



Source: European Values Survey (2000) and Eurostat

A closer examination of both plots shows a fairly similar pattern. However, Finland has fallen from the top (Figure 6.17) to the lower part of the middle group (Figure 6.18). The resemblance of both plots seems to indicate a strong correlation between subjective quality of government and confidence in the Civil service. Figure 6.19 demonstrates the relationship between both types of subjective indicators, including some other countries too. Over half of the countries are located close to the diagonal, indicating a close relationship between subjective quality of government and confidence in the Civil service. In just over a quarter of all countries this relationship is somewhat weaker, but still strong. Only three countries show a greater gap between both indicators: Ireland, Australia and Finland. In Ireland, the population expresses slightly more confidence in the Civil service than the business community in the perceived quality of the government. In Australia but especially in Finland it's just the opposite: more quality perceived by the business community and less confidence expressed by the population.

Figure 6.19 Subjective quality of government (2003) and confidence in the Civil service, 2000



Source: European Values Survey (2000); World Values Survey (1995-1997); IMD (2003)

7 Performance of the public sector

Bob Kuhry and Evert Pommer

7.1 Introduction

Previous chapters have assessed the performance of twenty-nine countries in several policy areas: the economy (Chapter 2), education (Chapter 3), health care (Chapter 4), law and order (Chapter 5) and public administration (Chapter 6). In some cases, the analysis covered less than twenty-nine countries because of missing data. This concluding chapter aims to synthesise the findings presented in earlier chapters. Section 7.2 attempts to group nations in several classes by taking into account system characteristics in all policy areas considered in the report. Section 7.3 describes aggregated performance in the fields of education, health care and law and order. Section 7.4 attempts to group nations on the basis of aggregate public service sector performance. Section 7.5 describes aggregated performance and relates it to aggregated confidence. The final section summarizes core results for a number of different regions which, irrespective of the subject, appear to emerge from all cluster analyses: Northern, Western, Southern and Central Europe and the Anglo-Saxon countries.

7.2 Grouping welfare states by type

Existing typologies of welfare states

In a strand of the literature, the performance of welfare states is linked to their institutions. A typology aims to explain the performance of national institutions in the light of their key characteristics. One well-known typology of institutions for social protection found in welfare states was developed by Esping-Andersen (1990). In his approach, the defining characteristic of welfare states is the generosity and accessibility of government programs designed to protect the citizenry against loss of income and poverty. Esping-Andersen proceeds by grouping countries on the basis of a historical sociological theory, and uses an analytical sociological model to define three types of welfare state that perform differently in their efforts to provide social protection: liberal, corporatist and social-democratic. Each type is different in terms of the regulation of labour markets (primary protection) and the level and scope of income guarantees (secondary protection). The Social and Cultural Planning Office – using empirical data – has also classified welfare states on the basis of social protection offered to citizens. Eastern European countries emerge as a separate type of welfare state.¹

¹ See: SCP/CERP 2004.