Public Sector Performance: Efficiency or Quality?

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The 2005 general election campaign in the UK has emphasised the importance placed on public services. There has been considerable debate over the delivery of public services and the performance of the public sector organisations that deliver them.

However much of this debate has been based on performance information reported in performance league tables and performance targets against which public sector organisations are assessed. These targets and league tables, which are regularly debated by politicians and the media, are often criticised. Analysis of three recent reports regarding the measurement and reporting of the performance of public service delivery (The Gershon Review\(^1\); The Office of National Statistics Report “Public Service Productivity: Health”\(^2\) and The Atkinson Review\(^3\)) suggest that published performance information causes problems when debating the performance of public service delivery. Specifically they highlight the following major problems:

- The focus of performance measures and targets is primarily on efficiency rather than outputs and quality of public services;
- The methodologies of calculating performance measures are often flawed and this limitation is mostly ignored when performance is reported;
- Most performance information is delivered to the public through the filter of the media – very few members of the public review the performance information directly.

These points raise concerns about the way in which public sector performance is measured and communicated which should be taken into consideration when debating the performance of service delivery. (A paper providing more in-depth discussion of this analysis\(^4\) is available from www.cranfield.ac.uk\/~som\/~cbp)

Of the reports analysed, the Gershon review had by far the biggest impact and has led to the setting of productivity and efficiency targets for many public sector organisations. The focus of this and the ONS reports is on productivity and efficiency. The Atkinson review highlights that this is not unusual for public sector performance and that, due to measurement difficulties, there is little focus on the measurement of public service outputs. As Carl Emmerson, deputy director of The Institute for Fiscal Studies asserted, it is very difficult to measure the output of the public sector, because the quality of services it provides can be measured in many different dimensions. Even if the Government is promising an improvement on productivity in public services of around 2.5% a year for the next five years, in 2010 it will be almost impossible to assess whether this has been achieved (speaking on The Politics Show – BBC1 - Sunday, March 20, 2005). Although the quality of services is known to be important, the lack of comparable measures make it difficult to debate on a general level rather than at the level of individual examples.

Quality is often neglected or seen as a complication. It actually warrants description and interpretation and should be treated as a subject for debate. In the private sector, quality has been crucial for the last few decades. Whilst it is not the objective of this article to provide an
in-depth analysis of the concept of quality, it is at least worth remembering an analogous concept that is well established in the field of information technology, the productivity paradox. As the Nobel Prize-winning economist Robert Solow said, “you can see the computer age everywhere but in the productivity statistics”, i.e. even though significant investments have been made to improve productivity they have actually had little of no identifiable improvement in productivity. There are four main proposals to explain this paradox\(^5\): “(1) Mismeasurement of outputs and inputs; (2) Lags due to learning and adjustment; (3) Redistribution and dissipation of profits; (4) Mismanagement of information and technology” (p. 73). The first argument is that most of the benefits of IT come in the form of enhanced product or service quality, time savings and convenience. This is entirely consistent with the issues raised relating to public sector performance. If organisations were to look at statistics on productivity alone without considering quality of products and services, the massive investments made in the last twenty years in IT would have not taken place. Similarly, it could be argued that focusing just on productivity in public services could provide just part of the picture, neglecting very important aspects and driving wrong behaviours. As Erik Brynjolfsson, one of the most eminent academics to study the productivity paradox, stated\(^5\): “A review of the IT productivity research indicates an analogous opportunity to rethink the way productivity and output are measured” (p. 76).

Given the focus on productivity improvement, there are still concerns over the methodologies used to measure productivity. The Office of National Statistics report recognises this and it is littered with alerts urging restraint in interpreting the results: “These (productivity) estimates should be interpreted with care. The output figures are based on a subset of activities in the English NHS and do not include changes in the quality of NHS output. The inputs figures are also not ideal, as direct quantity measures would be preferred, and the existing method involving measurement of current price expenditure and using indices to deflate to quantity measures for England only needs improvement” (p.52).

Such comments are not new but earlier relevant recommendations on methodology have not been adopted. In October 2003, before any of the three reports was published, the Royal Statistical Society released a document\(^6\) where it provided very insightful comments on how to measure performance in the public sector and on related issues. The concern of the authors of that report was that “Performance monitoring done well is broadly productive for those concerned. Done badly, it can be very costly and not merely ineffective but harmful and indeed destructive” (p. 2).

The disclosure of information regarding the performance of public sector organisations is a thorny issue. Although it is important to inform the citizenship about services delivered, it is also important to note that their evaluation is not without problems. It is difficult to communicate public sector performance and particularly the variety of related issues, such as the performance indicators used, reporting of information, statistical attributes of the data, methodological issues, collection, analysis and grouping of data etc. This raises the question of how and even whether to communicate such performance information if the caveats regarding methodology are not attached.

The complexity of the performance data and contextual issues is further complicated by the way in which this information is communicated to the public. Examination of the press coverage related to these reports brings these issues into sharp focus. It is important to realise the fundamental role played by the media in filtering and conveying the message to the audience. Firstly, rather than citing the original source of information, journalists were found to just quote comments made by politicians. Secondly, headlines were written in order to draw the attention of the readers, rather than to convey relevant information. Thirdly, it could
be argued that the contents of the reports, given their level of detail, are not usually widely accessible to the general public.

These points show that care must be taken. The actual performance reported in league tables and performance targets is often not interpreted by experts. Although these problems are ingrained in the way the public receive information, they seem to have been very much neglected by the people who commission and carry out these reports. The case of the ONS report on productivity in health, in particular, shows that the way the information is presented to the public should be carefully considered when deciding how, and even whether, to publish very sensitive performance information. Furthermore as a recent report by the independent think tank Demos, argues, “[T]he press is ‘manufacturing dissent’ in a way that resonates with public concerns and challenges the legitimacy of elected politicians. (...) [D]aily newspapers, which have interests of their own, are not the ideal places to look for dialogue and compromise”.

The analysis of the three reports considered in this article emphasises some of the significant difficulties in measuring and reporting the performance of public service delivery. They highlight that considerable care must be taken as:

- Reports focus almost entirely on productivity and efficiency. This is exacerbated by the lack of effective measures of the outputs and quality of public services;
- There are methodological shortcomings in productivity measurements which mean that considerable care must be taken when interpreting and debating productivity performance;
- The public tend only to receive performance information through the filter of the media.

It is essential that all stakeholders in the process of reporting information (i.e. the politicians, the statisticians, and the media) are aware and actively consider these issues if there is to be a constructive and relevant debate on the performance of public services.

References


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