

## Efficiency in Government

- Importance of efficiency in public service delivery
- Institutional drivers of efficiency in the public sector
- Obstacles to efficiency
- Steps to improve government efficiency
- New digital trends in the quest for public sector efficiency



**JOINT COUNCILS' EXECUTIVE MONTHLY REPORT**

Developed by the Research Committee

December 2022

# 1. Importance of efficiency in public service delivery

From scientific management and business process reengineering to public service delivery processes, efficiency has a long history as a management concept. Frederick Winslow Taylor and Harrington Emerson, American engineers of the early XX century who were one of the earliest pioneers of organizational efficiency, asserted that task and process efficiency required an efficient organization. Rejecting the approach of strictly scientific management, Emerson envisioned an organic organization in which efficiency was a natural occurrence, as opposed to a set of imposed goals and procedures - a concept that shares many similarities with total quality management and a management philosophy that remains relevant and significant.

In both practical and theoretical terms, efficiency is characterized by accomplishing more with less. It entails maximizing outputs like the quantity of services offered, limiting inputs such as the amount of resources or capital necessary to deliver those services, and maintaining or enhancing quality. Efficiency may be quantified by comparing the cost of delivering a program to the cost of delivering the same program in past years or to the cost of delivering the same program by peers, or by comparing the relative results obtained by governments for a given level of spending. Governments are under pressure to enhance the cost-effectiveness of public services due to rising citizen expectations, ageing populations, and economic uncertainty.

Additionally, the matter of efficiency has been at the forefront of public expectations for the last few years. As such, governments across the globe are always seeking cost-effective and high-quality methods to offer services. Through transparency measures, public spending is scrutinized by audit organizations, central agencies, expenditure review programs, political decision-makers, media, think tanks, and academics.

Some governments have established efficiency and reform units to push savings from the heart of government, whilst others have implemented large-scale budget review initiatives. Overall, efficiency is increasingly seen as a key public service value.

## Why Is This Report Important?

Recent studies of government efficiency in Australia, Canada, and the United Kingdom indicate significant room for improvement. One example is the broad range of pricing for typical products and services that the United Kingdom government purchases throughout its procurement cycle. The 2022 Green Review of the United Kingdom discovered that a box of paper varied from £73 to £8, while printer cartridges ranged from £398 to £86.

A failure to achieve a more consistent strategy to buying and contracting led to the incurrence of higher-than-necessary expenses. In the lack of an integrated strategy to both front-office and back-office services, expensive overlap and redundancy exist across the government. Multiple entrance points and overlapping services result in administrative redundancy and the failure of agencies to communicate vital information.

As such, the purpose of a greater scope of government efficiency is to eliminate similar discrepancies, maintain uniformity, and provide the greatest value of goods and services to taxpayers.

## What is Covered in this Executive Report?

This report includes the following:

- Importance of efficiency in public service delivery
- Institutional drivers of efficiency in the public sector
- Obstacles to efficiency
- Steps to improve government efficiency
- New digital trends in the quest for public sector efficiency

## 2. Institutional drivers of efficiency in the public sector

According to some of the most recent research materials, **the following practices and concepts lead to increased government efficiency:** 1) measurement of what's happening, development of Key Performance Indicators (KPIs), focus on outcomes; 2) arrangements that increase flexibility, such as devolution of functional and fiscal responsibilities from central to sub-national governments, intra-governmental co-ordination, human resource management arrangements, and e-government; 3) methods for strengthening competitive pressures; and 4) methods for enhancing transparency and accountability.

**Secondly, functional and political decentralization (i.e., spending responsibility) to sub-national governments appears to be efficient.** In theory, devolution of functional responsibilities, if accompanied by appropriate fiscal and political decentralization, provides incentives for sub-central governments to deliver locally preferred services more efficiently, as both the burden and benefits of public service delivery accrue to the communities. Some evidence from countries with a federal governance structure indicates that decentralized taxation reduces the size of government.

**Thirdly, human resource management practices are important.** Considered to be the most influential driver of performance are the soft components of human resource management, such as employee satisfaction and morale. Non-monetary incentives are just as crucial as money for motivating employees. High compensation levels — relative to comparable employment in the private sector — could result in inefficiency, however governments are frequently model employers and their wage policies also reflect equitable concerns. In the event of skill shortages, salaries are also essential for attracting and maintaining talented personnel.

To be in the best position to make fully-informed decisions, it is important to ensure the completeness of the data collection and assessment processes.

Below are some of the core activities that contribute to an organization's effectiveness and its progression:



# 3. Obstacles to efficiency

Implementing efficiency measures can face a number of challenges, many of which relate to unclear or complex regulatory frameworks, lack of sufficient financial resources, rigid human resource management frameworks, and cultural barriers. These limitations need to be addressed from a whole-of-government perspective to be overcome. Below are some of the examples of inefficiency in various governmental domains:



### Department Planning and Management Oversight

- Senior managers responsible for tasks that could be handled by more junior personnel
- Managers have narrow spans of control or 1:1 reporting relationships
- Large number of reporting layers
- Managers have overlapping responsibilities
- Decentralized facilities (requiring redundant sets of managers)
- Personnel engaging in unnecessary or inefficient planning



### Internal Support Services

- Fragmented delivery model (redundancy across the department)
- Inefficient/overly complex business processes
- Overly complex business applications and IT infrastructure
- Sub-optimal organization structure (narrow spans of control, large number of reporting layers)
- Activities in-house that would be less costly and/or more effective if outsourced
- Redundant facilities/offices (across geographies, departments)
- Manual process that could be automated



### Internal Policy/ Program Development

- Decentralized decision rights
- Excessive inter-department coordination
- Sub-optimal resource allocation among policy development needs
- Complex policy rules
- Unnecessary in-house activities



### Research, Analysis and Information Services

- Overpriced specialized research facilities
- Redundant specialized research facilities
- Redundant research topics
- Unnecessary research topics
- Lack of standardization
- Lack of automation



### Intra-government Support Services

- Inefficient/overly complex business processes
- Overly complex business applications and IT infrastructure
- Sub-optimal organization structure (narrow spans of control, large number of reporting layers)
- Activities in-house that would be less costly and/or more effective if outsourced
- Redundant facilities/offices (across geographies, departments)
- Lack of standardization creating inefficiencies

# 4. Steps to improve government efficiency

Achieving desired efficiency levels within government is a long-term, trust-building, and often costly endeavour. However, it cannot be achieved without addressing discrimination and promoting equality in public employment, where merit should take precedence.

From this perspective, governments are encouraged to consider several considerations when pursuing strategic efficiency objectives.



**1) Have precise goals and measure and monitor progress towards achieving them.** It is important to set clear goals and priorities and to consider what programmes contribute towards achieving these goals. If it is not possible to measure how a programme is performing, it is not possible to improve delivery. Performance should be evaluated regularly; many countries recommended an annual assessment. The aim and expectations should always be clear. Too often, changes are proposed with several, even conflicting aims, with no clear assessment of how they will be achieved, how they relate to one another, or what the primary focus will be.



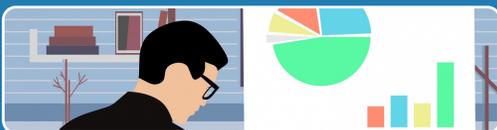
**2) Have flexibility in implementation; one size does not fit all.** Whatever implementation approach is adopted, it needs to allow enough flexibility to take account of the differences in the functions performed by government agencies while ensuring sufficient uniformity in approach and presentation of performance data to enable some comparability. In addition, if the reforms are seeking to apply a management-by-results approach, it is vital that the agencies have enough flexibility to achieve their goals.



**3) Leadership is important.** The support of political and administrative leaders is vital for pushing the implementation of these reforms. Politicians have an important role to play in their development. Strong political leadership can create momentum and impetus for change and help to overcome bureaucratic resistance. Nearly all social scientists stress the importance of strong leadership at the ministerial or agency level. It is vital to promote the development and use of efficiency-promoting approaches throughout the organisation and to ensure its use to improve performance.



**4) Develop the capacity of the spending ministries.** It is important that the Department of Finance and spending ministries have the authority and the analytical and administrative capacities to implement these reforms. This has resource implications in terms of staffing and information systems. Staff need to have the relevant training and expertise.



**5) Focus on outcomes, not just outputs.** Outputs are the immediate, easily measurable effects of a policy, whereas outcomes are the ultimate changes that a policy will yield. While outputs are easier to measure, they may lead to a too narrow focus on efficiency and to the exclusion of the wider issue of effectiveness.



**6) Mitigate the risks of goal distortion.** According to experience in a number of countries, agencies that focused only on outputs were not sufficiently oriented towards the needs of the citizens and the wider societal outcomes. Ultimately, while they are more difficult to measure, outcomes are the main concern of politicians and citizens.

# 5. New digital trends in the quest for public sector efficiency

All industries and commercial sectors, including the government and public sector, are significantly impacted by automation. For instance, in 2021, the White House requested \$92.1 billion in IT investment from Congress to advance AI, automation, and robotic process automation (RPA). Governments can utilise RPA bots to do repetitive activities, reduce manual errors, and enhance compliance.

Using computer vision and screen scraping, RPA mechanisms are designed to mimic human interactions with graphical user interface elements on desktop devices. Consequently, government and public sector agencies can employ RPA systems for:

## 1. Data migration

At specific times or in response to triggering events, RPA bots can be used to transfer and migrate data between traditional government systems and enterprise platforms. Bots can also cross-check the platform for duplicates, inform users, and eliminate unneeded material. As there is no human interference in the process, AI ensures the integrity and precision of moved data. Governments may also utilise workload automation (WLA) tools that can schedule and monitor activities including data movement and transfer. WLA have the advantage of being able to perform operations across several business platforms from a single location. As a result, they may improve data-related processes and eliminate duplication and transfer problems.

## 2. Evaluation of public opinion

RPA systems can be used to extract data from internet platforms regarding the opinions of the general public regarding various government ministries, services, and workers. For instance, AI can scrape comments or ratings of government services and facilities on Google Maps in order to monitor public opinion and enhance services accordingly.

## 3. Data input

In government enterprises, RPA AI can be used to process reports, letters, memos, claims, court documents, etc. through data entry. According to the document kinds, AI can retrieve data from digital resources as structured data or as unstructured data from scanned documents, and enter it into Excel spreadsheets or legacy systems.

## 4. Processing and evaluation of applications

Through government online portals, citizens fill out a variety of forms and applications. RPA AI can process citizen inquiries, evaluate application data, verify IDs and personal information, and approve or route applications for approval to multiple agencies. Among the documents that can be automated using RPA are:

- Driver's licence and renewal applications
- Passport applications
- Tax forms
- Employment records
- Healthcare and insurance coverage records

## Top Technology Trends in Government for 2021

 <b>Trusted</b>	 <b>Agile</b>	 <b>Resilient</b>
<ul style="list-style-type: none"><li>• Adaptive Security</li><li>• Citizen Digital Identity</li><li>• Multichannel Citizen Engagement</li></ul>	<ul style="list-style-type: none"><li>• Anything as a Service</li><li>• Accelerated Legacy Modernization</li><li>• Case Management as a Service</li></ul>	<ul style="list-style-type: none"><li>• Hyperconnected Public Services</li><li>• Operationalized Analytics</li><li>• Data Sharing as a Program</li></ul>

Composable Government Enterprise



## For Further Reading

- Hauner, D., & Kyobe, A. (2010). Determinants of government efficiency. *World Development*, 38(11), 1527-1542.
- Lee, S. Y., & Whitford, A. B. (2009). Government effectiveness in comparative perspective. *Journal of Comparative Policy Analysis*, 11(2), 249-281.
- Adam, A., Delis, M., & Kammas, P. (2011). Public sector efficiency: leveling the playing field between OECD countries. *Public Choice*, 146(1), 163-183.
- Pritchard, A. (2003). Understanding government output and productivity. *Economic Trends*, 596(July), 27-40.
- Wang, E. C., & Alvi, E. (2011). Relative efficiency of government spending and its determinants: Evidence from East Asian countries. *Eurasian Economic Review*, 1(1), 3-28.
- Afonso, A., & Kazemi, M. (2017). Assessing public spending efficiency in 20 OECD countries. In *Inequality and finance in macrodynamics* (pp. 7-42). Springer, Cham.

## Other noteworthy articles:

- Herrera, S., & Pang, G. (2005). Efficiency of public spending in developing countries: an efficiency frontier approach (Vol. 3645). World Bank Publications.
- Aiello, F., & Bonanno, G. (2019). Explaining differences in efficiency: A meta-study on local government literature. *Journal of Economic Surveys*, 33(3), 999-1027.

## Research Repository

Access the Citizen First [Research Repository](#).

Recent entries on the research repository:

[Diversity in Service Delivery](#)

This report includes the following:

- Importance of diversity in public service delivery
- Fostering diversity in government
- Obstacles to diversity
- Achieving a successful diversity policy
- Diversity and performance



## Trends in the Daily Newsletter



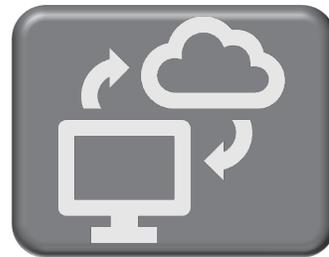
A [review](#) of the United Nations recently released 2022 E-Government Survey shows progress, surprises, and opportunity for governments across the globe in their shift to the digitization of services. Covid-19 has accelerated the need for governments to become more and more digitally accessible for their citizens as an increasing percentage of people have become more digitally savvy.

Meeting customers (citizens) where they are, instead of forcing them to do things a certain way, is always the wise way. But moving the enormous bureaucratic icebergs that are governments is a complicated process.



Most citizens know and accept that government needs [certain data](#) of theirs to function, especially in times of crisis. During the coronavirus pandemic, governments worldwide were able to use citizen data to identify vulnerable children for educational support, to furlough people whose job security diminished in lockdown, and to provide food deliveries to elderly and vulnerable citizens.

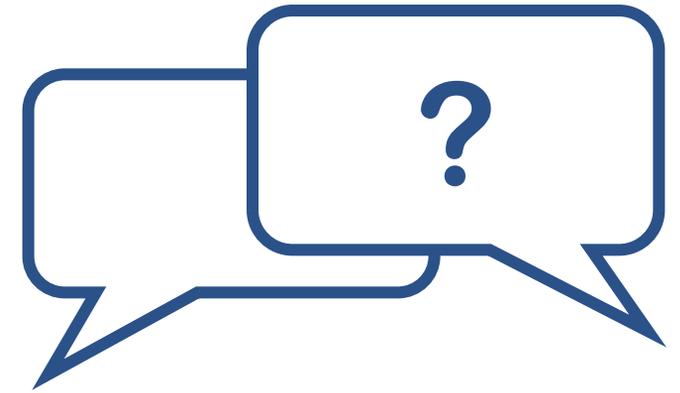
These examples show why harnessing data to best effect is one of many governments' biggest day-to-day operational challenges.



In his latest report, Parliamentary Budget Officer Yves Giroux estimates \$2.3 billion of this additional spending is needed for the salaries and benefits of an expanding bureaucracy, which pushes the wage bill to \$55 billion this year. That's more than \$130,000 per full-time employee.

The government has been on a hiring binge since 2015, which kicked into overdrive to deal with the pandemic. By PBO's count, the public service – including the military – grew from 342,000 jobs in 2015-16 to 391,000 in 2020-21.

That means the public service bounced back bigger than a decade ago, when the Harper government eliminated thousands of jobs.



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