Preface

At root, productivity is a fairly simple performance measure. It is calculated as the ratio of all the outputs produced by a given organization divided by all the inputs or the resources used in producing those outputs. In the private sector, the measurement of firms' productivity, and the analysis of the factors causing productivity growth, have developed a great deal. However, this is not the case in the public sector and for government agencies. The main reason for the lack of reliable productivity estimates for government services has been that public sector outputs do not have a price, unlike those in the market sector, so we cannot use prices to weight the different outputs produced by a given organization. Until the late 1990s this led to public sector outputs being measured by their inputs, that is, by the cost of producing them. This approach was equivalent to assuming that productivity in the public sector is always completely flat and unchanging.

Methodological advances since the late 1990s now allow us to estimate productivity ratios for government services by using the costs of producing each type of outputs to weight them. So where a government department does many things, we can now arrive at a useful overall measure of its outputs. In addition, the increasing availability of government services' activity data in the UK now allows us to compare productivity ratios for different government services, and to begin assessing the different factors that may be systematically related to productivity growth. This book aims to fill the large gap in the existing literature by providing a practical, organization-level approach to measuring productivity in the public sector. We show how productivity data over time and across comparator organizations can be combined with rich qualitative information about departments and agencies so as to begin analysing the different factors that may be related to government agencies' productivity growth.

Developing reliable productivity estimates for government services, and showing in detail how productivity trends relate to organizational changes, are not just of interest from an academic point of view. For public managers these steps forward are vital if they are to know how their organization performs compared to others. Productivity estimates may also usefully inform policy-makers' decisions on how to organize or

restructure key government services, paying special attention to ensure that service levels are not affected. Better information on public sector productivity could also help citizens to hold policy-makers and public managers more accountable for the provision of government services, and to counteract the otherwise strong tendencies for government service costs to rise relative to those of other economic sectors. We also show that productivity change in government is integrally linked to innovation, much more closely so than in private industries. So focusing on continuous productivity advance also entails a lot more than simple cost-cutting, and innovations can also be very positive for enhancing the modernity and usefulness of government services.

The book has three parts. The longest, Part I, focuses on the analysis of nationally provided services, looking in detail at the processing of goods for customs, the collection of taxes, the processing and payment of social security benefits, and two aspects of government regulation (passports and driver/vehicle registration). The analysis of such services in productivity terms has been especially difficult because they are administered by large departments or agencies that are unique in each country. We show in every case a strong interaction between advances in information and communication technologies (ICTs, or IT) on the one hand, and cultural resistance to change in long-lived bureaucracies on the other. This dialectic can explain why contemporary productivity outcomes in national government bodies have varied a lot, but overall have tended to remain broadly flat or grow only slowly over long periods of time.

Part II shifts focus to government services where there are multiple providers, so allowing us to look across productivity levels in different organizations and to track down the factors that explain variations, using regression or other analyses that control for multiple variables. One main problem here has been that services with multiple providers are often more complex and professionally delivered. They are less standardized, and hence quality variations can have far more direct and substantial importance for the accurate measurement of outputs. A second problem has been that previous studies have made only limited progress in measuring organizational factors that may have a bearing on overall organizational performance, again especially ICT changes and management innovations. We look at the measurement of productivity across NHS trusts in England and Wales, and apply a new approach (a web-census) to develop data on the use of management techniques and ICT and their links to productivity performance.

Part III steps back from the empirical analysis to draw out some of the key lessons across all our chapters for government organizations. To shift from previous erratic or slow progress, and to move instead towards serial

innovations and sustainable productivity advances, year in and year out, entails a wide ranging set of changes:

- embracing digital change enthusiastically but realistically;
- really understanding innovation in government organizations, so as to best foster it;
- shedding the managerialist obsession with reorganizations;
- engaging public sector workers more in promoting change; and above all
- focusing hard and continuously on productivity levels.

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