General introduction

The productivity of a firm, organization or nation is a gauge of the relationship between its production of goods and services and the factors of production used (labour, machinery, raw materials and so on). Thus it measures the ratio of outputs to inputs or a firm’s productive efficiency. It is a basic analytical tool used in economics and management, since any increase in its value indicates that scarce and expensive human and material resources are being used more efficiently.

In ‘The Great Hope of the 20th Century’, Jean Fourastié (1949), drawing in particular on the work of Clark (1940), established this concept as the intrinsic technical criterion that made it possible to distinguish between the primary, secondary and tertiary sectors. Thus Fourastié argued that services were, by their very nature, characterized by a rate of productivity growth that was low in comparison with agriculture and, particularly, manufacturing industry.

Although it does not altogether call into question the hypothesis that productivity in services is low, the development of modern service economies does cast some doubt on the ‘naturalness’ or ‘technical nature’ of this low productivity. Other interpretations have also been put forward; in particular, some question the validity and relevance of the traditional methods of measuring productivity, which are regarded as too ‘industrialist’ and unsuited to the distinctive nature of services. Thus, it is argued, productivity in services is not necessarily always low but tends in many cases to be poorly measured, sometimes even in ways that are conceptually inappropriate.

This questioning of the supposedly inherent low productivity in services does of course raise the question, for both organizations and public authorities, of how it might be improved. If services are not characterized by a naturally low level of productivity, then their backwardness in this area may suggest the existence of enormous reservoirs of productivity waiting to be discovered and tapped.

This question very quickly became a fundamental element in the strategic thinking of market service providers operating in competitive environments. And it was not long before it infiltrated public services as well. As a result, the question of how to measure and improve productivity in public services has been a recurrent topic in political debates and in academic
studies for several decades\(^1\) (Le Pen, 1986; Castagnos, 1987). This preoccupation became all-pervasive and eventually infiltrated the public sphere, starting with public service corporations before going on to affect government and other public services as well. It subsequently spread within these services to the eminently intellectual design, planning and steering functions which, rightly or wrongly, had hitherto been protected. The trajectory taken by this preoccupation, depicted in Figure I.1, became increasingly full of pitfalls as it progressed. As will become clear in the course of this book, the further this concept progressed along its trajectory, the more difficult it became to define, measure and legitimate it.

Thus the question of productivity in public services (and particularly in government services) is not in itself new. For some years now, however, it has undeniably been attracting renewed interest from academics, national and international statistical institutes and governments. The following reasons – some old, some more recent – are generally adduced to explain this interest or revival of interest.

1. In all developed countries, public services account for a considerable share of national wealth and employment. Thus any change in productivity in this sector automatically gives rise to a significant change in productivity in the national economy as a whole.

2. Public services contribute to the development of other economic activities. In other words, the performance (productivity) of public services influences that of the rest of the economy. This is particularly the case with education, publicly funded research, health, transport infrastructure and so on. However, it is equally true of the police, justice system and so on. Thus productivity in public services is both an object of concern in its own right (previous argument) and an essential factor in or determinant of productivity in other sectors. As we shall see, public services are at the heart of what, in Chapter 5, we will call the political and institutional factor.

3. Public services funded out of taxation have to be accountable to taxpayers, who are increasingly concerned with rigorous management of resources and increasingly likely to see themselves as customers of
government agencies and other public bodies that are nothing more than service providers. Thus the underlying hypothesis is that, unlike their counterparts in market services, public service managers have tended to disregard productivity targets. These new preoccupations have emerged in a context in which certain socio-economic variables are exerting pressure for increased public expenditure; these include an ageing population and Baumol’s cost disease (Baumol, 1967), for which a cure does not seem to have been found. Nor are they wholly unconnected with the development of certain socio-political variables that are forcing public services, long protected by (natural) monopolies, to confront market principles in one way or another, whether directly or indirectly. Thus high productivity levels are regarded as an indication of sound resource management.

4. The issues at stake in the measurement of productivity in public services (and in particular the choice of the type of indicator to be used) are crucial to service providers as organizations or basic units in the economic decision-making process. After all, these indicators replace price and market-based judgements in assessments of organizations and their managers.

5. Public services, and indeed all services, continue to pose difficult problems not only for researchers but also for national and international statistical agencies. These problems have not yet been resolved, despite the considerable progress the pioneering studies on the subject made in formulating these difficulties and putting forward certain answers (Fuchs, 1969; Griliches, 1984; Jorgensen, 1995). The problems involved are not just the technical ones of definition and measurement (particularly of output) but also, in some cases, problems with the conceptual validity of the notion of productivity itself and the difficulties of making trade-offs at the operational level between often contradictory objectives (for example the deterioration in ‘product’ quality and employee demotivation caused by an excessively intensive productivity strategy).

The aim of this book is to take stock of the question of productivity in services on the theoretical, methodological and operational levels (this last being the level at which the factors that determine productivity are put to use).

The book is divided into two parts. The first part is given over to a survey of the (recent) conceptual and methodological debates on the notion of productivity. Thus we will be examining the various definitions of productivity and the main methods of measuring it. This part comprises four chapters. Chapter 1 provides a general survey of the notion of productivity. We
examine the main definitions and methods of measurement, the main theoretical and operational issues and the theoretical controversies to which the notion has given rise. In the following three chapters, we analyse in greater detail the way in which the notion of productivity is applied to market services, then to public services and finally to internal steering services. In each of these chapters, we begin by examining analytically the theoretical consequences for the notion of productivity of certain characteristics regarded as representative of the service category before going on to examine attempts that have been made to measure them.

In the second part, we adopt a more operational and strategic perspective in order to identify and analyse the main levers (factors or determinants) for improving productivity and, more generally, the actual strategies adopted for this purpose in firms and organizations. Chapter 5 offers a general survey of the main determinants of productivity examined in the literature. In the following chapters, we attempt to analyse, in terms of both theory and the strategies actually adopted, the particular specificities of market services, public services (particularly government services) and their internal services (particularly steering services) in order to identify the levers or factors likely to improve productivity. We will be referring to a number of case studies with a view to engaging in an organizational, sectoral and/or international benchmarking exercise.

In each of these two parts, whether we are dealing with definitions, methods, determinants or strategies, we will start with a general set of questions and then gradually narrow the focus in order to examine, first, services in general, and then public services at the organizational and intra-organizational level.

NOTE

1. There are even academic journals dedicated exclusively to this question, for example the *Public Productivity and Management Review*, which was founded in 1975 in the USA and has now become the *Public Performance and Management Review*. There are also specialist journals devoted to the question of productivity in general, for example the *Journal of Productivity Analysis*, the *International Journal of Productivity and Performance Management*, the *International Journal of Productivity and Quality Management* and the *National Productivity Review*. 