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The StatRes project  
- more transparency of public-sector performance

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## Introduction

This paper first points out the need for improvements in public-sector performance and the importance of *performance transparency* in achieving this. It then gives some examples of systems in Norway displaying performance data, and maps the jungle of existing systems, concluding that there is a need for a broad system displaying performance data for the central government. Such a system – StatRes – is now being built, focussing on government sectors' and agencies' transformation of resources into outputs and outcomes. The paper then describes the concept and development of StatRes, and finally some challenges and choices made along the way, relevant to performance measurement in general. The question of how to *measure* performance is not treated in detail; the paper is more about how to *display* it.

## Public-sector performance

There seems to be a new sense of urgency to get the most out of resources spent in the public sector – due to challenges like an ageing population, high foreign debt, and increasing expectations from citizens. The performance of the public sector in Norway receives good reviews in overall international comparisons. However, there certainly are performance gaps within all sectors; they are just not always visible.

The following are examples of performance gaps in Norway within education and health:

- In lower secondary school (age 13-15), despite spending *40% more* per pupil than the OECD average, international comparisons show that skills are only average.
- Despite being second in the OECD regarding health expenditure per inhabitant, life expectancy is *lower* in Norway than in countries spending much less, such as Sweden, France and Italy.
- Along with increased spending in our hospitals, cost efficiency is *reduced* - and even more if the spending increase is high. On average, for each 1 percent extra spending, production increases only *0,3 percent*.

These examples – and many other cases – show that Norway faces major challenges in effective use of public resources. There is a common understanding that performance must improve. There is no dominant philosophy on how to achieve this, but traditionally we have emphasized new technology and employee involvement. Other tools are the same as in most OECD countries: budget control, setting and following up targets, support for operational improvements, analysis of results, etc. Transparency is not often mentioned as a tool itself, but it is an underlying factor in this setting.

## Transparency for improved performance

A McKinsey & Co. study from July this year, on how the American government can meet its productivity challenge, points out two requirements for a successful campaign for productivity improvement.

The requirements are roughly:

1. The pressure of *performance transparency*: Alternative mechanisms to competition to create comparable pressure on managers to perform, through far greater transparency about performance.
2. Support for *performance improvement*: Enable managers (and employees) to perform better by giving them increased incentives and capabilities.

*Performance transparency* should have positive influence on performance in more ways than through “pressure”. First, it provides valuable information to decision makers (politicians, top managers), and analysts – improving knowledge and their decision basis. Secondly, it serves as motivation for sectors, agencies and employees to perform, since their results are more visible. Thirdly, the government demonstrates accountability by documenting efficient and effective use of tax revenues – contributing to public trust and support for the welfare state.

Although more performance transparency may be an obvious path to follow, there are many limitations that we will have to live with (short or long term), as well as obstacles that need to be passed. Some *limitations* are: we can only measure part of the picture, variables are often influenced by several internal

and external factors, there will be possibly inaccurate interpretations of the data published, and there will be weaknesses in the quality of data – such as accounting figures. Some *obstacles* are: sectors and agencies might be reluctant to share collected data, high quality requirements may prevent publishing of useful data, sector-specific information systems may have different ways to treat data, and politicians or managers may want to influence the presentation of results. Despite these limitations and obstacles, performance data from the Norwegian public sector is widely made public, often on user-friendly websites.

### **Transparent systems with performance indicators (examples)**

One example of a Norwegian system open to the public is KOSTRA. It collects and displays performance indicators on local finances and public services, covering all 19 counties, all 431 municipalities, the Oslo townships, and upper secondary school. The units report according to the same standards and classifications. The system is updated in March every year with data for the previous year, with subsequent correction of errors. A structure enabling comparison between e.g. municipalities makes benchmarking possible as a part of the management process. Also, central government and others use the data to identify and follow up performance gaps.

A second example is the health-statistics system SAMDATA. It develops and displays performance indicators for the specialist health care (mainly hospitals). The indicators cover resource use, activities and production, aiming for high comparability. Annual updates are supplemented by analyses of certain areas of interest. The health enterprises (the hospital owners) actively use the data to identify and assess possible improvements. In the case of apparent performance gaps, managers discuss with the managers of high-performing peer organisations, supported by performance data. The team behind SAMDATA performs benchmarking of the enterprises (e.g. cost per DRG point) and suggests possible improvement areas.

A third example is Skoleporten, an Internet publishing of facts and performance indicators for schools on several levels: national, county, municipality and school level. The measures cover resource use, environment/satisfaction, grades, national tests results, through-put and other quality aspects. The effects of the system are not yet documented, but examples of use indicate high value. Municipalities actively use the data when following up headmasters. Many schools post the performance gaps on their school Internet or Intranet site, as a motivation factor to trigger change. Accordingly, schools use the measures in defining goals and in their strategy – measuring progress individually or in relation to peers.

### **Mapping the current information jungle**

Norway has a relatively efficient collection of data both for financial, operational and statistical purposes. This also implies that there is a substantial amount of data, including performance-related data. As illustrated above, the data is made public to increase the use and impact of the figures. The systems span the most detailed bottom-up systems with robust data structure – like perhaps the National Accounts – to pure output or performance focussed information systems aiming to give Internet users a quick insight in e.g. an agency's activities.

Two other relevant dimensions are (1) to which degree the system contains data from the “value chain”, like *input*, *activity*, *output* and *outcome* measures, and (2) how *accessible* the data is to the public – physically and mentally (does 1% or 50% of the population understand it?).

Mapping some major systems or groups of systems indicates the following:

- Statistics Norway has some emphasis on outcome (situation) in society, easily accessible data
  - The National Accounts has mainly input measures, relatively accessible data
  - The KOSTRA reporting system for municipalities covers the whole range from input to outcome, medium accessible
- Internal systems in government agencies focus on activity and output measures, low accessibility
- Research and other reports cover the whole range from input to outcome, variable accessibility
- Sector/agency specific websites are numerous, often cover activities and outputs, highly accessible

While the municipalities have a system for displaying performance data on the Internet, there is no such system for central government. The many sector-wise systems present fragments of the public sector, while Statistics Norway has data on inputs and outcomes which is not coupled to public-sector agencies.

To fill this gap, we are developing the StatRes system, aiming to link together data for “input, activity, output, outcome”, and to display relevant performance data for the various parts of central government. The system will also secure continuity in indicators and data series, and credibility through independence and high-quality data.

### StatRes – concept and system

The StatRes project is currently establishing a system for displaying public-sector performance. The Ministry of Government Administration and Reform is responsible for the project and Statistics Norway develops the system, which will be launched on the Internet in 2007. StatRes will display performance information for public-sector activities. Starting out with 3-4 pilot sectors, new sectors will be included successively.

StatRes shall be a user-friendly open system, with a web interface offering:

- A top-down overview of public-sector spending, activities and results
- Time series of variables/indicators on several levels: central government, sector, agency
- Functionality for various displays and analyses, e.g. comparison, multiple time series, etc.
- Instant access to more detailed data for those with special interests

Initially, the system will mainly use *existing* data and not collect new data. The indicators displayed will be defined in co-operation with the relevant sectors. International comparability is sought for, both in the classification of functions of government (COFOG), and in the application of a transformation model featuring input, activity, output and outcome.

The project team is currently developing the user interface, preparing accounting data and defining indicators to be published for the pilot sectors. One of the pilot sectors is higher education.

The following are *some* indicators being discussed for higher education (e.g. a university) in StatRes:

Input	Activity/unit	Output	Outcome
<i>KEY FIGURES</i>			
<ul style="list-style-type: none"> <li>• Costs</li> <li>• Employees</li> <li>• <b>Man-years</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Students</b></li> <li>• Average annual student progress</li> <li>• PhDs in progress</li> </ul>	<ul style="list-style-type: none"> <li>• Degrees</li> <li>• <b>PhDs completed</b></li> <li>• Papers (rated)</li> <li>• Grades</li> </ul>	<ul style="list-style-type: none"> <li>• Ranking</li> <li>• <b>Alumni employment</b></li> <li>• Average grades of applicants from upper sec. school</li> </ul>
<i>KEY RATIOS</i>			
<ul style="list-style-type: none"> <li>• Share academic man-years</li> <li>• Cost per academic man-year</li> <li>• <b>Share of non-govt. financing</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Cost per student per year</b></li> <li>• Students per academic man-year</li> <li>• Share of exchange students</li> </ul>	<ul style="list-style-type: none"> <li>• Cost per degree</li> <li>• <b>Share graduated on time</b></li> <li>• Papers per academic staff</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Alumni salary compared to total cost of degree</b></li> <li>• Quality ranking over spending ranking (e.g. share of GDP)</li> </ul>

It is important that the indicators displayed are carefully chosen. An ideal indicator should be *relevant* to what the organisation is aiming to achieve, able to *avoid perverse incentives* causing unwanted behaviour, *attributable* because we see the link between efforts and results, *well-defined* both for construction and communication purposes, *timely* for tracking progress and of current interest, *reliable* in its accuracy, *comparable* over time or among peers, and *verifiable* with clear documentation.<sup>1</sup>

Some expected effects of StatRes are:

- More transparency, as an incentive for better performance in the public sector
- More available data enables more and easier analyses and identification of improvement areas (e.g. by benchmarking or trend analysis)
- The display of data will normally trigger improvement of data quality as well as the quality of the indicators themselves
- Relevant and easily accessible data to stimulate and support the debate about effective use of public resources

Compared to e.g. the National Accounts, StatRes will be more simple, pragmatic and focussed on the *results* of public spending. The main users are expected to be citizens, politicians, analysts, and managers and employees in the public sector.

## Considerations and final remarks

These are some of the key questions in the StatRes project so far, and our response:

*How to find a set-up that ensures a sustainable, consistent, credible and relevant system?*

- Having Statistics Norway develop and operate the system
- Close co-operation with sectors in defining relevant indicators
- Loyalty to a fixed framework, trying to link spending and results (transformation model, COFOG)

*How to avoid a sense of competition from existing performance-information systems in sectors?*

- Stressing that StatRes will show the totality for central government, a supplement to local systems
- Only showing data that exist already, but in a structured way

*Which government costs or expenditures should be included?*

- Including only central-government spending, not counties or municipalities
- Not including general transfers (pensions, social benefits, subsidies, etc.), initially
- Mainly *expenditures*, not always actual costs – also acknowledging that accounting data is not always top quality

StatRes is intended to become an important tool for improving public-sector performance, by increasing performance transparency. In the macro perspective, StatRes can help identify possible and actual improvements in performance, provide politicians with facts, and provide data for public-sector production estimates – e.g. in the National Accounts. In the micro perspective, StatRes should create stronger incentives for agencies and a better basis for decisions in agencies.

Most countries are probably in the same situation as Norway, with large amounts of relevant public-sector performance data *not* easily available to the public. Therefore, the strong efforts to make such data available to a larger “audience” – increasing the use and the impact of the data – are of great value.

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<sup>1</sup> A useful reference in the development of performance measures is the UK government (joint) publication “Choosing the Right FABRIC – A Framework for Performance information” from March 2001.