Lessons from the Finnish Productivity Programme

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Current Status

- The Productivity Programme (2005-2015)
  - to raise productivity, in a way that is planned, measured and verified
  - covers the central government administration
  - aimed at adjusting the number of personnel via increased productivity while the number of retiring government personnel is high
  - the savings created by increased efficiency and productivity divided between the government and the ministry that achieves them

- The Programme for Effectiveness and Productivity (Government Programme June 2011)
  - the existing central government productivity programme will be replaced with a new programme for effectiveness and productivity
    - measures that will increase productivity
    - enhanced job satisfaction
    - improved service quality for clients
    - the societal effectiveness of the work being carried out
  - existing efficiency targets are maintained in terms of their overall economic impact
Scenario: the change in employment and public sector workforce need; rate of employment rises to 71.5 per cent, 1,000 person
Fiscal Context:
Central Government Debt and Debt Ratio

Planning and starting the Productivity Programme

Years 2012-2013
### Central government budget balance, 2010-2015 EUR bln

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong>*</td>
<td>39.1</td>
<td>43.1</td>
<td>45.3</td>
<td>47.0</td>
<td>49.2</td>
<td>50.9</td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td>49.9</td>
<td>51.3</td>
<td>52.4</td>
<td>54.0</td>
<td>55.1</td>
<td>57.0</td>
</tr>
<tr>
<td><strong>Budget balance</strong></td>
<td>-10.8</td>
<td>-8.2</td>
<td>-7.1</td>
<td>-7.0</td>
<td>-5.9</td>
<td>-6.1</td>
</tr>
<tr>
<td>Central government financial balance</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>acc. national accounts, % of GDP **</td>
<td>-5.5</td>
<td>-3.8</td>
<td>-3.3</td>
<td>-3.2</td>
<td>-2.7</td>
<td>-2.8</td>
</tr>
<tr>
<td>Central government debt, EUR bn</td>
<td>75</td>
<td>82</td>
<td>89</td>
<td>96</td>
<td>102</td>
<td>108</td>
</tr>
<tr>
<td>Central government debt, % of GDP</td>
<td>42</td>
<td>43</td>
<td>44</td>
<td>46</td>
<td>47</td>
<td>48</td>
</tr>
</tbody>
</table>

* Excludes the use of accumulated surplus
** State Pension Fund is no longer part of central government in national accounts
Context continued

- **Reform in the early 1990s**
  - several agencies replaced by government companies and business enterprises
  - increased operational and economic independence for the municipalities
    - the scope of the central government activities significantly reduced

- **Productivity Programme in the early 2000**
  - focus on improving processes and preparing for the growing numbers of retiring personnel
  - significant re-evaluations of activities have taken place on some sectors
    - initiated by the sector in question
  - wish to avoid the labelling as “ideological”
Lessons Learned

- Carrying out the Productivity Programme has led ministries and agencies to develop and adopt new courses of action
  - without limits in terms of money and person-years developing the ways ministries and agencies work would have been
    - slower
    - less significant
    - vacated resources would have been reallocated inside the organisation

- The way of thinking in ministries and agencies has changed
  - promoting productivity and efficiency now have a stronger role also in planning and developing – therefore other solutions than increasing resources are contemplated and proposed earlier on in the process
    - working practices
    - processes
    - defining the core functions
Lessons learned continued

- Main challenges:
  - prioritising – what the government should or should not do (or finance)
  - realistic effects of public management reforms such as ICT, process re-engineering etc. on productivity and work contribution needed – estimates err on both directions
  - management of change – for example increasing the use of ICT doesn’t automatically lead to results without changes the ways of working and often individual job descriptions