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Foreword

This report is the first of a series of country reviews undertaken by the OECD to analyse the success and challenges of Public Service reform from a comprehensive perspective, taking into account the array of public service reforms conducted in Ireland since the mid-1990s. It seeks to deliver a high-level perspective on the preparedness of Ireland's Public Service for meeting upcoming economic and social challenges.

The report builds on OECD experience in conducting public management peer reviews. It draws on extensive review of information about public management in Ireland and a series of interviews with Irish public officials and other commentators held in 2007. The report was drafted with the participation of national experts from the the governments of Denmark, Finland, Netherlands, New Zealand and Sweden. These public management experts played an invaluable role by participating in interviews and in reviewing and commenting on the text of the report.

The report, which was completed in March 2008, was carried out under the auspices of the OECD Public Governance Committee as part of the work programme of the Public Governance and Territorial Development Directorate (GOV), and was financed by the Irish government.

Under the leadership of Odile Sallard, Director of GOV, and Barry Anderson, Head of Division, this report was led by Edwin Lau of the OECD Secretariat. The publication was written by Teresa Curristine, Edwin Lau, Olaf Merk, and Elsa Pilichowski of the OECD Secretariat, as well as Anna Lundbergh (VERVA-Sweden, on secondment to the OECD) and Audrey O'Byrne (Department of Taoiseach-Ireland, on secondment to the OECD). They were assisted by Jean-Francois Leruste (research and statistics). The report also benefited from consultant contributions by Jean de Kervasdoué, Peter DeVries, Christopher Pollitt and Colin Talbot. Special thanks to the New Zealand Policie Act Review team for their assistance in providing information on civilianisation of the New Zealand Police Service.

Special thanks are given to the five national experts who reviewed the report text: Rob Kuipers (Netherlands), Hugh McPhail (New Zealand), Knut Rexed (Sweden), Juhani Turunen (Finland), and Adam Wolf (Denmark). The authors are also grateful to OECD colleagues who helped to review sector data and analysis: Gérard Bonnis (Environment Directorate), Howard Oxley (Employment, Labour and Social Affairs Directorate), Sebastian Barnes (Economics Department), and Ann Gorey (Government of South Australia on secondment to the Education Directorate).

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ISBN 978-92-64-04325-1
OECD Public Management Reviews : Ireland
Towards an Integrated Public Service
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Executive Summary

Ireland's economic success story is one that many OECD countries would like to emulate. While the reasons underpinning Ireland's success are varied, the Irish Public Service has played a central role in ensuring that the right economic, regulatory, educational and social conditions are in place to facilitate growth and development. As with other OECD countries, Ireland has continually sought to modernise and reform its Public Service systems and practices to ensure that it can continue to meet the needs and expectations of Government and citizens. Over the past decade, thanks in no small part to its economic performance, the country has also seen significant changes in its demographic make-up. Ireland is now looking for new directions in which to further renew its agenda for public service modernisation, so that it continues to deliver improved outcomes for citizens, to respond to shifting and complex societal needs, and support business in gaining competitive advantage, thereby contributing to sustained economic success for Ireland. The approach taken by Ireland in trying to assess its Public Service as a whole is a first in terms of reviewing and seeking to benchmark the Public Service and its contribution to national well-being and quality of life. In undertaking this first such Review, the OECD provides a new and different kind of analysis that seeks to contribute both to a renewed agenda for Public Service reform in Ireland, and to the international effort to describe a comprehensive approach for public service reform. The line of inquiry suggested by the OECD in terms of deepening connections at all levels may offer member states new directions or ways to advance their reform agendas.

As with many other OECD countries that have embarked on significant public service transformation programmes, the focus of the reform efforts to date in Ireland has tended, with some exceptions, to be inward oriented, focusing on improving internal processes and structures. Initiatives, in line with those undertaken in many OECD countries, have focused on a broad range of internal processes to build capacity at individual and organisational levels, improve service delivery, develop organisational and individual performance management, establish governance procedures, create greater transparency, improve consultation and increase the use of evidence-based policy making.

These changes were not only significant, but necessary and the OECD recognises the value of the reforms made, particularly since the development of the *Strategic Management Initiative* and the publication of *Delivering Better Government* in the mid 1990s. While the full benefit of some of the more recent reforms, such as the production of departments' Annual Output Statements linking annual targets to annual expenditure allocations, have yet to be fully realised, broadly speaking Ireland is on a sound trajectory of modernisation. And it can further improve the yield from reforms by renewing focus on their pace and sequencing in order to make them more mutually reinforcing.

These necessary internal reforms, however, represent just one aspect of a broader potential change and modernisation agenda. On their own, they will not be sufficient for the Public Service to meet either the challenges that it now faces or Ireland's ambitions to sustain its economic success and achieve greater value for money in public services. Significant capacity building in terms of deepening project management and implementation skills is still required. In a changing, more complex, diverse, outward-looking, dynamic and educated society, greater focus needs to be placed by the Irish Public Service on citizens and their expectations, and on targeting delivery of services from their perspective so as to achieve broader societal goals. In essence, the Irish Public Service now needs to become more outward focused by better integrating and utilising the systems and processes it has developed, so that it is best placed to more effectively contribute, alongside the broader society (citizens, business, unions and other actors), to the identification and attainment of overall societal goals.

Towards an integrated Public Service

As in other OECD countries, the Irish Public Service is a reflection of national political and administrative cultures, and of past economic and social priorities. The Irish Public Service is composed of a Civil Service (staff working in departments and major agencies), commercial and non-commercial bodies that provide services on behalf of the State as agencies, public hospitals, schools, defence and security services, etc., and local government. While it has created structures and systems to enable horizontal co-ordination, the Public Service remains segmented overall, leading to sub-optimal coherence in policy development, implementation and service delivery. As public policy becomes more diverse and complex, Public Service organisations need to have even more interaction with each other and with stakeholders at local, national and international levels, and across these levels.

It is clear from studying the Irish system, and in particular the health sector, that there are difficulties involved in leading system-level change, and in pursuing system-wide coherence. Ireland is pursuing many multi-annual, multi-stakeholder societal goals – in infrastructure development, energy, climate change, poverty, gender, health, etc. If it is to maximise the Public Service's contribution to achieving these societal objectives and to meeting citizens' expectations, then it needs to think increasingly about the Public Service as an integrated "system". In doing so, it will have to amend or revise existing accountability structures and ways of working, to allow for integrated system-wide action where this is required. Moving towards a more integrated Public Service, will allow a greater sharing of expertise and knowledge, but, more importantly, will allow the Public Service to become more focused on its contribution to the achievement of broader citizen-centred societal outcomes.

Achieving an integrated Public Service will require targeted actions in a number of areas. It should be noted that these action areas are interdependent: this is not a suite of options where only a few need to be advanced. Improved dialogue is needed to address fragmentation and disconnects between departments, their Offices and agencies, and other Public Service actors; the use of networks to bring together relevant players from across the Public Service needs to be expanded; performance measures need to look at outcomes rather than inputs and processes, and increased flexibility is needed to allow managers to achieve those outcomes; budget frameworks are needed to facilitate prioritisation and reallocation of spending; a renewed emphasis is needed on the role of

ICT and e-government in strengthening information sharing and integrated service delivery; and greater mobility is needed to help develop and broaden the skills and competency base of generalist staff. In support of all these, a stronger role is needed to lead and support the renewed change, both through the creation of a Senior Public Service, and the development of a more strategic role for the Centre.

Improved governance and performance dialogue: While institutions evolve and adapt over time, the faster the external environment changes, the more reflection is required on what are the appropriate governance arrangements, how to achieve them, and their possible consequences. Appropriate governance arrangements rarely happen independently. The current disconnects between the central Civil Service and the broader Public Service need to be addressed, particularly between departments and agencies, for increased sharing of information and expertise and to put in place improved dialogue to reach shared agreement on performance targets, and to hold each party accountable for the realisation of those targets.

Networked approaches to working: Rather than create new structures, an integrated Public Service is one where individuals are enabled to work together across existing structures to allow greater connectivity between different sectors (central government, health, education, local government, etc.), agencies and parent departments, as well as greater connectivity with stakeholders outside the Public Service. This will allow more collaborative, horizontal approaches to policy development and greater agility in identifying and responding to societal needs. The use of "networks" within and across organisations, that span the broad elements of the Public Service will be increasingly important in an integrated Public Service. Ireland has made inroads in developing a network approach through the establishment of the Office of the Minister for Children, and more recently, the Office for Older People and the Office for Disability and Mental Health. Expanding such approaches will present a challenge, as the Public Service will need to simultaneously operate within formal bureaucratic structures of accountability, as well as networks that exploit agility, informality and openness, and reduce duplication of co-ordination efforts. In an Irish context, the multi-stakeholder Social Partnership model represents another possible approach for exploring networked ways of working.

Moving towards a performance focus: As with many other OECD countries, the focus to date in Ireland has been on performance reporting, rather than managing for performance. Instead of focusing on inputs and processes, more information needs to be gathered on outputs and outcomes and what has actually been achieved, so that this can better feed back into measuring how the Public Service is meeting overarching targets and objectives. Realistic expectations of performance need to be developed within organisations that cascade from the top to the individual, and additional managerial discretion is needed to achieve these goals. Developing meaningful outcome measures and indicators of performance is a challenge for all countries. But performance measures and initiatives need to be better aligned with overarching outcomes and high-level societal goals in order for the general public to understand the benefits of the Public Service.

Prioritising spending within budget frameworks: The need to enhance approaches to resource management and allocation is especially important in a potentially tighter fiscal environment. Enhanced performance measurement mechanisms can only reach their full potential when they are utilised by decision-makers at political and senior administrative levels for resource allocation purposes within and among programmes. Building on existing

frameworks, the development of longer-term, more strategic budgetary mechanisms covering spending programmes could contribute to greater certainty for senior managers and more efficient programme delivery.

Using e-government to deliver integrated and citizen-focused services: For citizens and business, the key measure of Public Service performance is how quickly and easily they can access a service and the quality of that service once received. While a number of initiatives have improved both the quality and way in which services are delivered, additional focus is needed on service delivery from the perspective of the citizen, who is not as familiar with how structures and systems operate. E-Government, and the development of a more integrated ICT interface, provides a major opportunity to deliver faster, more readily accessible services and secure internal data sharing to simplify contact with the Public Service. While Ireland has had many successes in developing internal e-government systems, co-operation across different Public Service bodies is not widespread. Fragmentation of responsibility for different elements of e-government has meant that the full potential of ICT is not being realised by public sector organisations for citizens. The integration of functions regarding the technical and financial framework will assist in progressing e-government, especially given the accelerating pace of broadband penetration.

Increased flexibility and mobility for workers: At present, few opportunities exist even for generalist staff to move within and across the Public Service. Limited mobility creates challenges in sharing skills and competencies across the system and in re-allocating resources to those areas most in need. In an integrated Public Service, individual public servants will have, and be expected to have, more varied careers across sectors. A mobility policy is needed to promote and facilitate movement of generalist staff across the different sectors of the Public Service. New arrangements are required for the redeployment of staff across organisational and sectoral boundaries to new higher priority activities. This will assist in raising performance levels, as increased numbers of staff with more varied competencies and skills will be able to compete for a wider range of generalist positions. It will also reinforce cross-Public Service networks, supplement regional labour markets, and promote the Public Service-wide perspective that is needed in an integrated Public Service.

Senior Public Service: Increased open recruitment will allow the Public Service to rapidly acquire necessary skills and competencies that cannot be easily located or grown in the short-term among the existing cohort of generalist public servants. Supporting and driving a renewed reform agenda and developing a broader integrated approach, however, will require significant leadership from senior management who have a detailed understanding of the broad range of issues and challenges unique to the Public Service. The development on a phased basis of a single, integrated Public Service leadership cadre, through the creation of a Senior Public Service with a membership drawn from elements of the broader Public Service, would allow Ireland to strengthen a system-wide perspective at the leadership level and to reinforce core values through the Public Service.

Strong leadership role for the Centre: Success in achieving the vision of a more integrated Public Service will require strong leadership at political and administrative levels to move from a traditional control position, to one of vision, support and direction in developing the modernisation and change agenda. Over the last decade, the Taoiseach, as head of government, has championed the reform agenda, including the initiation of this Review, and this has been a crucial driver for change within the Public Service. Given the scope of changes outlined in this Review, Ireland will continue to require such strong central

leadership if new ways of working are to be successfully implemented. These changes are necessary in order to ensure that reforms are appropriately sequenced, paced, and related to broad societal objectives that arise from the Programme for Government, the Partnership agreement *Towards 2016*[*] national policy frameworks, and high-level strategy documents, etc. In addition, the transformational effort will likely require achieving efficiencies and shifting resources across the Public Service in order to assist in co-ordinating and steering the renewed reform agenda. It will need to be appropriately resourced both at the Centre of Government and in each of the key sectors of the Public Service with appropriate links between all those charged with driving change in each area.

Success of reform depends on changing behaviour

Ireland is facing a more complex environment with increased expectations for effective service delivery, and a need for alternative solutions to developing horizontal approaches to policy and service delivery challenges. This requires boldness in developing a renewed programme for Public Service reform. Developing a successful implementation plan in response to the assessment and recommendations in this Review could lead to profound and innovative changes in the Irish Public Service and place Ireland at the forefront of new ways of thinking regarding management and delivery of public services.

While it will be for Ireland to consider the broad directions set out in these findings, and to devise a strategy and programme of actions best suited to its own political and administrative needs, success will depend on rethinking how the Public Service operates and putting the conditions in place to change behaviours.

[*] National Social Partnership Agreement, (2006), *Towards 2016: Ten Year Framework Social Partnership Agreement 2006-20015*.

ISBN 978-92-64-04325-1
OECD Public Management Reviews : Ireland
Towards an Integrated Public Service
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Chapter 1

Main Assessments and Recommendations

Introduction: Towards an integrated Public Service

The Irish Government is mapping the next stage of Public Service reform for continued competitiveness and growth

Over the past decade, Ireland has achieved the highest real economic growth rates within OECD countries (Figure 1.1). This success has been supported by an active and progressive Public Service that over the past decade has sought to modernise itself to improve openness and service quality through a programme of public management reform known as the *Strategic Management Initiative*. In light of a growing and more diverse population with increasing expectations, the Irish Government is looking ahead to see what should be the next stage of reform in order to ensure that the Public Service continues to best meet the needs of citizens and to support sustained economic growth and stability. With this in mind, it has asked the OECD to review public service reforms to date, assess how the Public Service is meeting these new challenges, and to identify a possible agenda for the next stage of reform. This chapter presents an overview of the main assessments and recommendations of this report.

The Irish Public Service is composed of a Civil Service (staff working in departments and major agencies), commercial and non-commercial bodies that provide services on behalf of the State as agencies, public hospitals, schools, defence and security services, etc., and local government.[1] This chapter begins by outlining the economic and social challenges faced by Ireland, and assesses how the Public Service has contributed to the country's success story to date. It then evaluates the actions and reforms the Public Service has undertaken to modernise itself, and identifies the remaining and emerging challenges it faces in the areas of ensuring capacity, motivating performance, moving towards a citizen focus and strengthening governance.

Ireland is now on a path of transformation, moving from an input-control to a more output- and outcome-oriented system. This is in keeping with the direction in which most OECD countries are moving. Ireland has significantly advanced along a "*New Public Management*" continuum, and now finds itself entering into new territory in advancing its public management reform programme. The key challenge that the OECD has identified for Ireland going forward, is that in renewing its reform and change agenda, appropriate mechanisms, systems and structures are established so that the different elements and sectors that comprise the broad Irish Public Service can work cohesively together to meet existing and emerging challenges. Ireland now needs to look towards the development of a more integrated Public Service, with greater connectivity across the different sectors/agencies. A more integrated approach at national and local level will better allow Ireland to more effectively meet the challenges of achieving wider societal goals and the delivery to the citizen of more coherent and integrated services.

As part of this review, the OECD has conducted a number of in-depth case studies that look at how Public Service management and reform challenges have played out in different

sectors within the Irish Public Service. These case studies are presented at the end of the report and highlights from these are summarised in boxes in this chapter. Each case study identifies specific public management issues within the sector and serves to illustrate broader points raised in the main body of the report. The purpose of these case studies is not to make policy recommendations on what is the right sector approach for the Irish Government, but rather to examine the connections between these sectors, central Government and at how capacity, performance, citizen-focus and governance have been addressed by the Public Service generally, and how they can be further strengthened from a public management perspective.

Background

A growing economy and population has placed new demands on the Irish Public Service

The Public Service has a crucial role to play in enabling, bolstering and furthering economic growth in Ireland. Globalisation, which has been key to Ireland's economic success, has led to a renewed focus on competitiveness in the face of higher labour costs while, at the same time, transforming greater wealth into improved infrastructure and services. The need to rapidly and efficiently invest billions of Euros in infrastructure, scale-up services, integrate an increasingly diverse foreign-born population which now represents 14.7% of the population,[2] manage public-private partnerships and test new service delivery models, requires the Public Service to be more flexible, dynamic, innovative and have increased focus on long-term planning. Achieving value for money requires improved information on performance, as well as mastery of project management skills and of a diverse range of policy instruments to ensure an effective return on investment and risk.

Strong economic growth has also helped foster a better-educated and wealthier population that, in turn, has higher expectations of service quality. A growing and aging population, combined with significant immigration, has led to a more diverse and complex Irish society. This raises issues regarding provision for housing, transport, education and health needs, labour supply and pensions – all of which depend in whole or in part on the Public Service as a service provider, policymaker and/or regulator. Shifts in the geographic location of the population also have implications for public service delivery, as rural populations are generally older and more dispersed, while urban populations tend to be younger and more concentrated. The changing culture and make-up of the population – once relatively homogenous, now increasingly cosmopolitan, heterogeneous and multi-cultural – has also led to changes in the society's needs and expectations. This has important consequences for the Public Service, which must be organised to best deliver timely and well-adapted services on the ground, and to anticipate new services and modes of delivery.

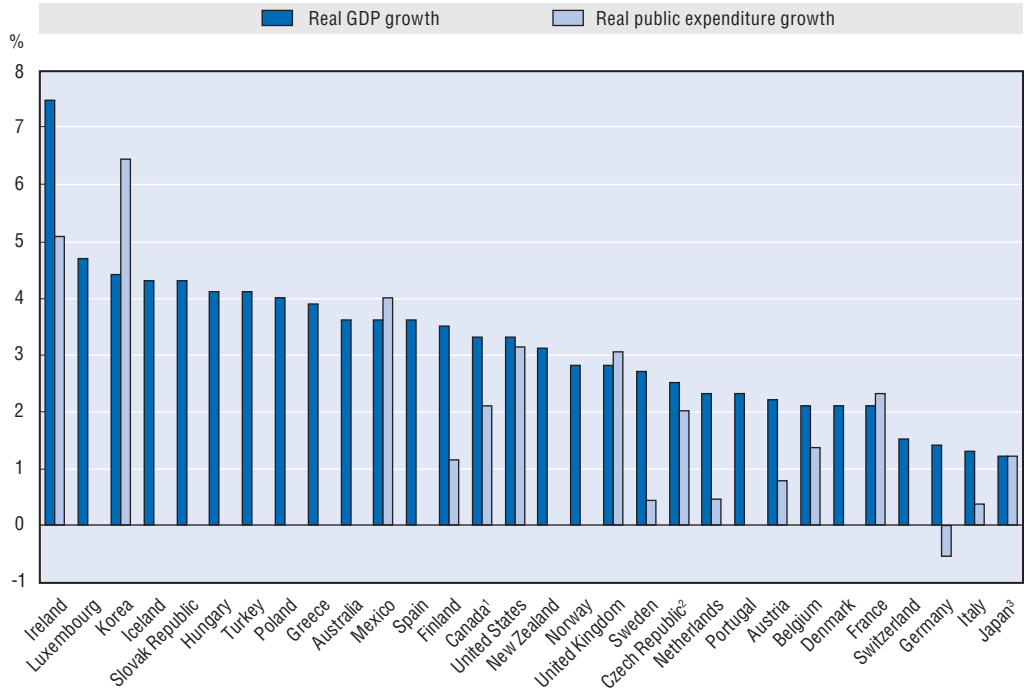
This more complex environment involves partners and stakeholders that may require new forms of consultation and ways of working. A younger, diverse, outward looking population has high expectations regarding consultation on policy and service delivery issues. The strong, consensual Social Partnership model has helped secure industrial peace and put in place a framework for wage setting and for formal consultation on high-level national policy issues. It has shown its capacity to evolve through greater involvement of the Voluntary and Community pillar in recognition of the increasing role the voluntary sector plays in the provision of public services. Looking to the future, the Public Service may wish to explore additional information and participation channels for an increasingly engaged and active citizenry.

Public expenditures have risen sharply, but from a low base and at a slower rate than overall economic growth

To meet these challenges, Ireland has boosted public expenditures and employed substantial numbers within the Public Service. From 1995 to 2005, public expenditures in Ireland experienced real increases of more than 5% annually, second only to Korea in the OECD (Figure 1.1). Much of this spending has been in the health and education sectors. In terms of real average expenditure increases in OECD countries over the past ten years, Ireland was second only to Turkey in increasing investments in primary and secondary educational institutions[3] and was only behind Luxembourg and Korea in health expenditure increases.[4] Much of these increases have reflected a need to play catch-up from historically low levels. In 2005, Ireland still had the third lowest public expenditure rates as a percentage of gross domestic product (GDP), third only to Korea and Mexico (Table 1.1). Once one accounts for the financial flows (profits and other revenues) entering and leaving the country, however, the level of public expenditure expressed as a percentage of gross national income (GNI) is much closer to OECD average levels.[5]

Figure 1.1. **GDP and public expenditure real average annual growth**

OECD, 1995-2005



1. 1998-2003.
2. 2002-2004.
3. 1996-2005.

Source: OECD Statistics Database.

The number of Public Service employees has increased significantly by 30% between 1995 and 2007, but also from a low base relative to other OECD countries (Figure 1.2). A policy since the mid-1990s to limit non front-line service employment has

Table 1.1. **Government expenditures as a percentage of GDP**
OECD, 2005

	Government expenditures for the production of goods and services in the public domain	Other liabilities of Government	Other transfers to other economic actors	Investment in gross capital formation or non-produced assets	Total expenditures
Sweden	28.9	2.7	22.3	2.8	56.6
France	24.2	3.1	23	3.5	53.7
Denmark	27.2	2.7	21.5	1.7	53.1
Finland	25.2	1.8	21	2.5	50.5
Hungary	22.2	4.1	19.8	3.9	49.9
Belgium	22.8	4.4	20.9	1.8	49.9
Austria	18.9	3.2	26.8	1	49.9
Italy	19.4	5.4	21.2	2.3	48.3
Portugal	21.9	2.7	20	2.9	47.4
Germany	19.3	2.8	23.5	1.3	46.9
Netherlands	25	2.5	14.8	2.9	45.2
United Kingdom	22.8	2.2	18.8	0.5	44.3
Czech Republic	20.5	1.3	17.1	4.9	43.7
Poland	17.8	2.9	19.2	3.5	43.3
Iceland	26.3	2.1	10.9	3.1	42.4
Norway	20.9	1.2	17.5	2.5	42.2
Luxembourg	16.5	0.2	20.8	4.5	41.9
New Zealand	20.4	2.3	14	3.3	40
Canada	20.3	4.9	11.6	2.5	39.3
Japan	16.1	2.5	13.9	5.7	38.1
Spain	17.4	1.8	15.3	3.6	38.1
Slovak Republic	16.7	1.6	17.6	2.1	38
Greece	14	4	16.6	2.9	37.5
United States	18.5	2.7	12.9	2.6	36.7
Switzerland	12.7	1.6	18.3	2.4	35
Ireland	16.4	1	13.3	3.7	34.4
Korea	13.8	1	8.1	6	28.9
Mexico*	10.8	2.3	4.6	1.7	19.5
Average	**19.9**	**2.5**	**17.3**	**2.9**	**42.7**
Median	**19.8**	**2.5**	**17.9**	**2.8**	**42.9**

* The year refers to 2004.

Source: OECD National Accounts.

meant that public sector spending and employment growth have not kept up with population and GDP growth. Ireland's real average annual growth rate in public expenditure between 1995 and 2005 was 5.1%, significantly slower than real GDP growth of 7.5% (Figure 1.1). Government policy therefore has actually *decreased* the total number of public sector employees as a percentage of the labour force and *decreased* the overall public sector wage bill as a percentage of GDP. As compared with other OECD countries, 2005 data indicate that general government employment[6] in Ireland represents around 14.6% of the total labour force, which is relatively low among OECD countries and is significantly less than the level of public employment in Norway, Sweden, France, Finland and Belgium (Figure 1.2).[7] Given the emphasis on front-line service delivery, the majority of this increase has been in the health and education sectors: health employment has increased by 73% and education by 42% on their 1995 levels (Table 1.2).

Table 1.2. **Employment in the Irish Service**

Thousands, 1995 to September 2007

	1995	2007	% Increase
Health	65.2	112.8	73
Education	65.9	93.5	41.9
Semi-State companies	63	53	–15.9
Regional bodies[1]	30.1	40.1	33.2
Civil Service	31.5	38.4	21.9
An Garda Síochána	10.7	13.4	25.2
Defence	14	11.2	–20
Others in the Public Sector	0.5	1.6	220

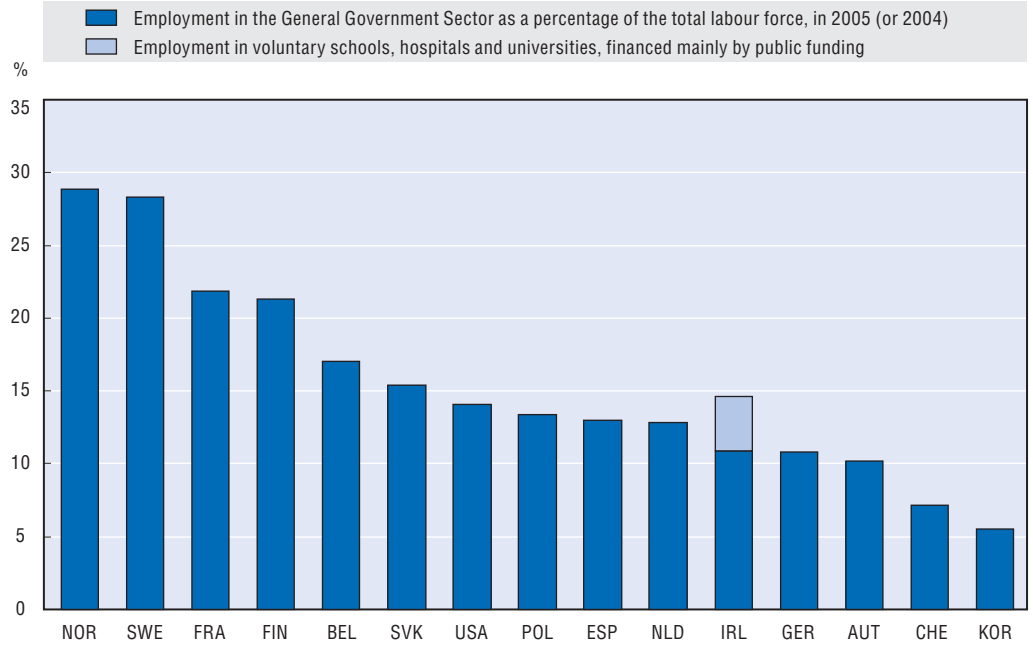
1. This includes Corporations, County Councils, Urban District Councils and Town Commissioners. Included in the residual category are Regional Fisheries and Tourism Organisations, together with Traffic Wardens. Harbour Authorities are also assigned to this category including those which have become State commercial companies.

Note: Figures shown for Civil Service and Health employees are based on whole time equivalent numbers. Figures for other sectors, in the main, are based on actual numbers employed.

Source: Central Statistics Office website, Database Direct, "Employment and Earnings in Public Sector by Type of Public Sector Employment, Quarter and Statistic". data extracted 12 February 2008.

Figure 1.2. **Employment in the General Government Sector and for Ireland in voluntary schools, hospitals and universities**

Percentage of total labour force, 2005 (or 2004)



Note: Data are in number of employees (and not in full time equivalents) except for Austria, the Netherlands, Sweden, and Switzerland (those countries would have higher numbers in number of employees).

Source: Central Statistics Office website, Database Direct, "Employment and Earnings in Public Sector by Type of Public Sector Employment, Quarter and Statistic" data extracted 12 February 2008.

In comparison with other OECD countries, Ireland thus has been able to deliver public services with a public sector that is relatively small given the size of its economy and labour force (Table 1.1 and Figure 1.2). Even when factoring in infrastructure investment, Ireland has the third smallest total public expenditure as a percentage of GDP, and this figure has actually decreased over the past 10 years.

The Irish Public Service cannot afford to stay static: As economic growth slows, renewed focus is needed on increasing efficiency and effectiveness of the Public Service

To date, in the context of rising public expenditures, Ireland has been able to meet the growing demands of its citizens for quality public services without great pressure to prioritise spending needs or to achieve additional efficiencies. Growth is slowing, however, and the OECD estimates that GNP growth over the long-term will decline from an average of 7.1% for the period 1995-2005 to 4.6% for the period 2005-2010, with a further decline over the following 20 years to an average growth rate of 3.4%. In a period of slower economic growth, the Irish Public Service cannot afford to stay static. The changing economic and social environment requires it to become more flexible and responsive in order to continue to improve services while maintaining fiscal performance.

In order to respond to these pressures, the Irish Government needs to find a new reform agenda that focuses on value for money, while maintaining the most important elements of its political culture and values. In order to focus resources on policy priorities and innovative practices, the Public Service should focus on finding new ways of working, underpinned by better information on where its needs are, and on its own accomplishments, in order to see where it can improve and where it excels so as to reinforce successes. This will also help it to communicate its achievements to the broader public in terms with which they can relate.

Public Service challenges

Public Service reforms to date have put frameworks in place that now need to be embedded in practice

Many of the reform needs discussed above were anticipated in the current Public Service reform agenda, first outlined in the *Strategic Management Initiative* (SMI), launched in 1994 and expanded through *Delivering Better Government* (DBG) in 1996. These strategies identified a vision of a responsive customer- and performance-oriented Civil Service, and created space for change to take place to fulfil this vision. Until very recently, the Irish Public Service could be characterised as a system that focused largely on controlling inputs such as funds and personnel, rather than focusing on performance and results. By treating reform as a shared national goal, the SMI brought on board Social Partners and introduced many necessary reforms. These include: Quality Customer Service and the creation of Customer Service Charters; regulatory reform, particularly the introduction of Regulatory Impact Analysis (RIA); the Management Information Framework (MIF); the Performance Management Development System (PMDS); Value for Money Evaluations; Output Statements and other initiatives to help improve the focus on performance and the use of performance information for decision making.

While an important start, the reforms introduced to date under DBG/SMI have primarily focused on putting *processes* in place. The Public Service is starting to focus now on how modernisation can lead to improved *outcomes and outputs*. Since 2006, the requirement for departments to issue Output Statements has put in place the necessary framework to measure performance, but more needs to be done to ensure that the indicators and measures produced within them *meaningfully reflect measurable outputs* by improving data collection mechanisms, cascading objectives down from departmental strategies and business plans, and requiring agencies to also produce Output Statements.

Further implementing the reform programme will require more firmly embedding reforms in the Civil Service and implementing the provisions for managerial devolution as originally foreseen under SMI. As part of a move towards a more integrated Public Service, the next set of reforms should also renew focus on updating the capacity, performance, citizen-focus and governance of the broader Public Service. This will move the focus of implementing reforms from process to content, to structure reforms in such a way that the Public Service is more responsive and efficient, and not simply subject to a new set of controls, and to make reforms more mutually supportive and consistent, both internally and across the different sectors and agencies.

Coherence of reforms is challenged by an incremental approach and by new initiatives

While the SMI/DBG provided an initial vision that remains valid, the reforms that it has engendered may have diverged in response to changing needs across sectors. All reforms internationally are, in essence, "mix and match", but in moving forward in a more integrated way, the Irish Public Service should consider how the reforms undertaken today fit together and support one another. Otherwise, this approach will ultimately introduce tensions into the system. The incremental approach to reform, while achieving a certain degree of stability and consensus, has led to isolated reforms that evolve over time, rather than as a coherent reform package.

The next challenge is to renew the vision originally laid out in SMI, taking into account the *coherence* of reforms and how they *interact* with one another. For example, in the context of controls on recruitment to the Civil Service, Ireland has gone down a path of agencification in order to build up needed capacity. Without putting in place the proper governance structures and performance incentives, however, this has led to further fragmentation and reduced transparency (Box 1.3). Reforms must not present stopgap solutions, but rather be integrated in such a way as to lay the foundations for success. Otherwise, Ireland may risk a weakening of the sense of unity that it has traditionally enjoyed as a small, homogenous country with a well-regarded Public Service that has a tradition of discretion, impartiality, and flexibility.

Existing divisions in the Public Service, *e.g.* due to agencification and the lack of mobility across the Public Service and between the Civil Service and the rest of the Public Service, have contributed to fragmentation. This is exacerbated by accountability structures that only allow for limited sharing of responsibility for global outcomes. New government policies such as the Government's "decentralisation" programme – to relocate a number of entire Government departments and some agencies out of Dublin (henceforth referred to in this report as administrative relocation)[8] – are also changing the Public Service landscape, and if not properly implemented, may further contribute to fragmentation. These changes have implications for the Public Service's ability to attract and retain skills, to maintain networks and a coherent approach to policy formulation, and to maintain a common Public Service culture.

Keeping up with the changing context requires public servants to think actively about how reforms fit together and how they can be better sequenced to support each other. The implementation of the administrative relocation policy, for example, creates an opportunity to think about the Public Service in new ways and to introduce HRM reforms and changes that increase mobility across the different sectors and groupings of the Public Service. Increased mobility would broaden career and development opportunities for public servants and allow for greater sharing of resources and services at the regional level.

In the absence of longer-term plans on how this restructuring will affect performance or meet the needs of the wider public, however, the administrative relocation policy poses significant challenges to modernisation and the ability to achieve an integrated cohesive Public Service. Rigidities can arise from administrative relocation due to small unit size and the difficulties of redeployment from one location to another.

Responding to more complex, cross-cutting issues will require an integrated Public Service that acts increasingly through networks rather than top-down structures

Another challenge for the modernisation agenda is to expand reforms beyond the Civil Service to the wider Public Service in each of the individual sectors. The *DBG/SMI* originally targeted the Civil Service with the expectation that changes in ways of working within the Civil Service would, in time, spill over and transform the rest of the Public Service, but this has happened to only a limited extent. The reform process has, in fact, taken longer than expected for the Public Service as a whole and reforms have been adopted to varying degrees within the different organisational cultures of Public Service bodies. While substantial reforms have taken place within the Public Service, there has been limited ability to capture and replicate innovation.

As noted earlier, the needs of the Irish economy and society have changed; they are more diverse, multi-faceted, and fast-paced. In order to respond to the increasing inter-connectedness of policy challenges, Ireland has put in place a number of cross-cutting or horizontal Committee structures at the national level (largely related to the Civil Service), and local agencies and co-ordination bodies at the local level. There is evidence, however, that departments are reluctant to devote resources to cross-cutting activities such as integrated e-government service delivery or improved policy co-ordination at the local level. The challenge of overcoming a stove-piped system is common to all OECD countries, as is the need to develop accountability structures that take into account shared responsibility for commonly-agreed outcomes. Only in this way, however, can the Public Service act as a connected entity that works in an integrated fashion to address common societal issues, rather than as a loose grouping of individual corps, each with its own institutional interests and agendas.

Increased interconnectedness and co-operation are also necessary in order to allow the Public Service to achieve economies of scale through shared services and the development of centres of excellence that can serve as repositories for good practice and expertise. Otherwise, the fragmentation of the Public Service risks driving up costs and decreasing efficiency and effectiveness.

Moving forward towards a more integrated approach, the Public Service should examine options to make use of *network* approaches to working, with increased flexibility and autonomy for different actors to take the initiative in advancing and supporting an overall vision and clear objectives. In this way, the different parts of the Public Service can spread reforms further by taking an active role themselves in developing and embedding a common vision for reform without the need for constant approval by central management. Otherwise, centralisation becomes both a reason – and an excuse – for not taking independent initiative in line with the overall strategic direction set out by the Centre. In order for this change to take place, the Centre should consider which reform and modernisation initiatives require its direct leadership, and when it is more effective to stimulate a network to take action by recognising and promoting good practise.

The following sections will look at how an integrated approach to the Public Service will be increasingly necessary in order to deepen and broaden reforms and to improve coherence to address some of the most pressing challenges faced by the Irish Public Service: to mobilise skills across the Public Service and allocate them where they are most needed (*Ensuring Capacity*); to promote a performance culture that is self-reinforcing and focused on value for money (*Motivating Performance*); to present a unified front for integrated service delivery and to achieve back office efficiencies through shared services (*Moving Towards a Citizen-Centred Approach*); and to reinforce governance structures and accountability arrangements in support of all of the above (*Strengthening Governance*).

Ensuring capacity

As noted earlier, the Public Service – and in particular the Civil Service – is doing more with less relative to the size of the overall economy and workforce, and this has been a factor in Ireland's international competitiveness. The Public Service is primarily made up of a generalist workforce that traditionally has been recruited at entry levels and then developed within the system. While, in general, it continues to be a valued path for new graduates, the Public Service has had to compete with opportunities offered by a growing economy (including higher salaries and greater promotion prospects in the private sector). The capacity to both effectively implement policy and to anticipate future policy needs will depend on its ability to recruit and retain the best of the workforce, and to develop and allocate them to maximum effect.

In order to stay competitive, the Public Service has conducted two "benchmarking exercises" that have raised average public sector salaries by 8.9% to bring them in line with private sector compensation. In order to continue to attract and retain the best, however, these efforts may have to be supplemented with other incentives, including offering more managerial flexibility and problem solving autonomy, more interesting career tracks and more concrete indicators of achievement in order to reinforce pride in the Public Service.

It may be worth considering how HRM and other reforms can better reinforce one another in pursuit of overall Public Service objectives. In order to implement the increased managerial delegation foreseen in *SMI*, for example, the Public Service will need to put in place an HRM strategy, improved individual performance management, and reinforce leadership with an integrated vision of the Public Service in order to reinforce Public Service values.

Centralised HRM controls limit management flexibility within organisations and mobility across the Public Service

Ireland has a centralised HRM system with an exceptional level of *ex ante* controls on staff numbers, grades and compensation in comparison with other OECD countries. As noted earlier, overall staff numbers are currently subject to an effective hiring limit, though in practice, it is possible to increase staff subject to Department of Finance approval, in particular for front-line service delivery functions (*e.g.* in agencies) and in line with government priorities as they emerge. The Civil Service, in particular core policy departments, has been impacted the most by these limits. This may have had implications on its capacity both at the Centre and within departments, to effectively plan and implement the reform agenda and, in particular, to undertake management functions such as HRM and performance management.

Grading and pay conditions across the Civil and Public Services are also very similar. This has been reinforced by strong union representation and by the prominent role of the Department of Finance in providing guidance and oversight of HRM. Pay increases for the majority of both Civil and Public Service staff are agreed at central level via Partnership agreements and benchmarking.

The centralisation of HRM in relation to numbers, processes and conditions has major implications for the Public Service. It tends to: 1) limit Public Service mobility and career development opportunities; 2) inhibit the autonomy of local level management; and 3) limit the development and sharing of skills and competencies as needed across the broader system. If Ireland is to move towards a more integrated Public Service, these challenges will need to be addressed through an HRM strategy that is governed by explicit choices about the direction and values that should underlie the Public Service. It will also need to be supported through a more integrated senior leadership drawn from across the Public Service.

An integrated Public Service will require greater staff training and mobility to meet staffing needs and improve competition and career opportunities

While the high level of coherence in HRM processes and conditions across the Public Service would normally be conducive to the mobility of staff across the different corps of the Public Service (*e.g.* Civil Service, agencies, and local government), in practice, mobility of generalist public servants is limited. Public Service reforms (*e.g.* agencification, the opening of many posts to lateral entry) have actually led to multiple management systems across the Public Service that undermine the clarity of values, and create silo management systems for different types of staff. While limited opportunities exist for movement between bodies (and with the private sector), they are seldom used.

The division of generalist public servants into clusters with few career/mobility opportunities outside of their original group or point of entry, leads to unnecessary rigidities and creates small labour markets. While significant efforts have been made in training with regards to skills and capacity in management, technical areas (*e.g.* ICT) or for sector-specific skills (*e.g.* health), more needs to be done to deepen project management and implementation skills across the Public Service, in particular for smaller agencies and for local government. Greater mobility and openness is required in order to improve the sharing of skills and the reallocation of generalist staff to where most needed, and to increase competition within the system. Increasing mobility would also help to reinforce a more integrated vision of the Public Service among staff.

The Public Service should set out to increase its strategic planning capacity throughout the Public Service at all levels by promoting an integrated Public Service perspective in key staff. This can be done through secondments or exchanges. But it is not sufficient to just provide for these opportunities; the diversity of experiences must also be valued and publicly recognised as an important input to the Public Service. This means defining competencies and identifying hiring and promotion criteria that are not, in themselves, defined by traditional public service career paths.

Increasing mobility will also require the Public Service to remove the traditional divide between the labour markets in order to create a unified Public Service labour market. This step will reinforce overall performance by increasing promotion opportunities for good performers. It is also important in the context of the administrative relocation programme,

which will lead to the creation of regional labour markets. The priority should go to the promotion of careers across integrated Public Service organisations – especially careers between agencies and central departments. While creating immediate difficulties in maintaining and renewing capacity, the administrative relocation programme will also impact very significantly on the organisation and values of the Public Service and will create labour market challenges that have yet to be addressed. It should be core to any new thinking on HRM.

Given the current rigidities within the Public Service, the Public Service may also wish to consider how it can best build up centres of competence where skills can be developed and shared, either centrally or in a distributed fashion.

Increasing managerial flexibility and delegation will require a strengthening of staff performance management

In addition to re-examining the capacity needs of the Public Service in terms of numbers and skills, the existing potential of the Public Service also needs to be exploited more effectively. Today's Irish Public Service, as a whole, is fairly paid as the result of the benchmarking exercises between public and private sector pay. This alone however, is insufficient to motivate staff. Many public servants feel that the system inhibits rather than challenges them, that it does not reward innovation, and is quick to penalise failure. Changing this will require the Public Service to recognise and reinforce good performance. Further delegation of managerial responsibilities to senior management, as originally envisaged in the *SMI*, should be implemented incrementally, as performance management and reporting is strengthened at the organisational level.

Public servants should agree that, if they are to be paid as well as the private sector for equivalent work, they should also perform as well. Unfortunately, the current performance management system does not give them the opportunity to demonstrate their level of productivity or to be rewarded for individual good performance. In addition to the lack of outcome and output indicators for the Public Service, the major difficulty with the performance management system lies in the high level of centralisation of the HRM rules which tend to undermine linkages between individual or team performance and compensation.

In order to recognise individual performance, Ireland should continue to take its current careful approach to the expansion of performance-related pay, as it requires performance metrics that are not yet developed in the Public Service. A first step in this direction would be through team-based performance awards. It could also replace discrete levels in the pay scales with pay bands in sectors and/or agencies that are deemed ready, and authorise departments and agencies to set individual pay within the relevant band.

A HRM strategy based on an overall view of the Public Service is needed to guide reforms

The central control of inputs does not adequately take into account the accompanying reforms that are needed to improve the performance of a small Public Service. Such reforms include re-examining issues of efficiency of front-line service delivery, managerial delegation and flexibility, preserving central strategic capacity, and reallocating to high priority areas staff made redundant as the result of structural reforms. For example, agencification requires stronger monitoring capacity which central departments currently lack. While the short-term logic of hiring restrictions was understandable and necessary,

the longer-term consequences on the strategic function are now being felt. As a consequence, there is little forward planning for the future, especially as the population and the Public Service itself ages.

In general, HRM reforms to date neither match emerging business challenges nor are they consistent with Public Service values and other public management reforms such as agencification (Box 1.3). HRM reforms should be seen not only as a modernisation of processes, but should also be linked to statements as to how the Government should function. That is, how should the HRM evolve to adjust to the agency system, or delegate managerial authority? How structured should it be? How open to lateral entries should the systems be and why? How representative of the wider society it should be? And, most importantly, how does HRM contribute to the achievement of pre-determined outputs and outcomes of public policy?

Box 1.1. **Civilianisation of An Garda Síochána in the justice sector**

In the past 15-20 years, new types of criminality and additional legislative requirements have created more administrative work for the Irish police force (Garda Síochána). While the effective hiring limits in the Public Service do not apply to the Garda, a significant percentage of them have been occupied by administrative work because the limits did apply to civilian clerical staff. By having relatively less costly civilian staff doing clerical work and bringing in professional and technical staff for more specialised tasks, more Gardaí could be freed up to do police work. Latterly, civilianisation has also been seen to have a role in renewing the culture of the force.

Ireland has a relatively low percentage of civilian staff in its police force relative to other OECD countries, and increased civilianisation is generally supported in principle by stakeholders. The current approach, however, has met with resistance within the Garda Síochána. This is, in part, because the current policy of civilianisation has not been based on a clear and shared needs assessment that links the scale of civilianisation needed with the problem at hand. The resulting approach continues to focus on visible input measures, rather than a plan to achieve agreed-upon outcomes/outputs. Under such circumstances, organisations tend to find alternative ways of spending new resources allocated to them. The Garda Síochána should develop HRM capacity to assess its functional resource requirements and skills needs, in light of the workload and an analysis of future challenges. It also should develop capacity for workforce planning and for linking inputs to the delivery of outputs and the achievement of outcomes.

The need for greater mobility and to bring in scarce skills from the general labour market is recognised. Within the Civil Service, for example, recent reforms have been implemented to create lateral entries and therefore renew skills and capacities. More could be done, however, to address the consequences of increased external mobility on the overall culture and core values of the Public Service. The Government should continue in its move to open the Public Service labour market to non-public servants where needed.

Part of the disjoint in the HRM reforms arises from the fact that changes to the HRM system tend to arise out of Social Partnership discussions. The Partnership Verification process has been an important driver for change in the Public Service. If Ireland is to move towards more sophisticated HRM, however, the Public Service – through the Centre – must be in the driving seat for devising strategic HRM reforms, and provide a clear vision of the

connections between the features of the HRM system and business objectives of the Public Service and the programmes for Government.

Ireland is unusual among those OECD countries with a classical, career-based Public Service, in that it has not taken advantage of its centrally determined pay levels and common HRM systems to develop a more sophisticated career planning system. While some workforce planning is taking place at a sector and sub-sector level, the Public Service should better develop long-term workforce planning in the context of the ageing of the Irish population and Irish Public Service in the years to come. This includes: 1) The reallocation of human resources across sectors resulting from an increased demand for additional staff; 2) a new division of labour between government and the private sector in terms of public service delivery; 3) the need to take advantage of departures to bring in new skills, decrease staff numbers in some areas, change the allocation of staff across sectors; and 4) the necessity to maintain institutional memory and replace capacity when staff leave.

Functional reviews of Public Service capacity by sector would help the Government better assess the capacity it needs to deliver public services which match the level of economic development, and society's demands for improved quality.

Maintaining Public Service values and a whole of Public Service perspective will require integrated Public Service leadership

These changes will require leadership that is based on an understanding of the Public Service as a whole. In order to support Public Service values, the Government would gain in the long run by *creating a Senior Public Service,* along similar lines to those established by other OECD countries, such as Australia, Canada and the United States. A Senior Public Service would facilitate the development of specific opportunities for careers across the different parts of the Public Service, reinforce and develop skill-sets among the senior cohort of the Public Service and deepen coherence within the system. Ireland may wish to examine how such Senior Public Services have been established by other countries, including, for example, mandatory mobility requirements and a combination of open-ended employment in the Public Service and term-bound positions in the senior service. Ireland may also wish to consider how best to develop connections between such a group and middle management in order to ensure succession in the group and disseminate leadership values across staff at different hierarchical levels.

A Senior Public Service should not be limited to the Civil Service in order to have a broader perspective on the Public Service as a whole. It would provide opportunities for ensuring the development and embedding of a strong "whole-of-government/whole-of-Public-Service" ethos throughout the Public Service, with emphasis on providing leadership and direction.

Motivating performance

Ireland is at a stage of performance reporting rather than managing for performance

As noted earlier, the Irish Government has taken significant steps to develop frameworks for collecting performance information, especially evaluations (*e.g.* Value for Money and Policy reviews) and, to a lesser extent, performance measures (*e.g.* Output Statements at the departmental level and PMDS at the individual level). Most recently, a requirement for efficiency reviews was introduced in the 2008 Budget.

There are currently few examples, however, of how performance information is being used as an input for management, planning, resource allocation or decision making. This, in part, reflects the quality of indicators and of the information available, but more importantly, it reflects the lack of integration of such information into key decision-making processes. Unless performance initiatives show clear management linkages, they risk not moving beyond managing performance reporting, *i.e.* replacing rigid input controls with controls of performance indicators, to using performance information as an input into managing for improved performance.

There is a need to develop a performance culture that is based on achieving outputs and outcomes rather than compliance with processes. The Performance Verification Process is, for example, a monitoring mechanism of co-operation, in an industrial relations context, with modernisation processes under the pay agreements, rather than a forum for a holistic review of organisational performance. As such, it does not permit linkages to be made between individual compliance with general service delivery improvements. While this exercise has laid the groundwork for embedding current reforms, it is something of a misnomer in that it is not really about performance. This inconsistency has created some frustration among management and staff who have participated in modernisation efforts, but cannot clearly show the results of their efforts in output or outcome terms.

More linkages between performance initiatives and decision-making can be achieved, for example, by linking a medium term expenditure framework and Output Statements (see below). Value for Money Reviews should be systematically taken into account during the budget preparation process when deciding on additional spending and reallocation of budgets. In order to more closely tie Output Statements and strategic plans with performance levers, individual and division goals – as expressed, for example, in the PMDS – should link back into departmental objectives as mentioned in departmental strategic plans and Output Statements. This could strengthen the focus on policy results and help to develop a performance culture based on common language and expectations.

The meaningful use of performance information as a management tool will help to shift emphasise from input control and process compliance to delivering measurable results. This requires the establishment of mechanisms to promote dialogue for a shared understanding and ownership of what is meant by performance and of the specific targets agreed upon. It will also require greater coherence across performance management initiatives, as well as among the objectives and indicators that are identified within these systems. Ireland still has to tackle the difficult challenge of improving indicators and data sources, and to increase managerial flexibility to improve performance within fiscal constraints.

A performance dialogue between departments and agencies is needed to promote consensus on performance and on targets

As noted earlier, agencification has been a significant feature of the Public Service in recent times. As shown in the case study on agency management (Box 1.3), however, the potential value added by agencies is less a result of their policy autonomy and more a result of their performance focus. In order to fully achieve this performance focus, they will need additional managerial flexibilities, for example: flexible budgeting between years; the removal of more *ex ante* controls on spending; and flexibility in allocating funds between different types of spending and, most importantly, between personnel and other expenses (or at the very least, within personnel expenses, staff numbers and pay levels).

Departments also have a greater role to play in promoting agency performance. The traditional input-focused dialogue between agencies, departments and the Department of Finance should be replaced by a formal long-term performance dialogue, which entails a process of setting different types of targets and evaluation, and making links between inputs, processes, outputs and outcomes. This involves supporting departments and other government bodies in the difficult task of developing measurable indicators, collecting data on them, making commitments to improvements, and then being accountable for those gains. The immediate benefit will be greater understanding, consensus and experience about what is meant by managing performance. International models for building performance focus include reforms introduced by the United Kingdom and the Netherlands.

The Government should extend the departmental Output Statement framework to include agencies as the mechanism to support the new performance dialogue between departments and their agencies. Accordingly, the administrative control of departments over their agencies should be lessened. In fact, one way to reward good management in agencies is to provide them with additional managerial flexibility.[9]

In many cases, departments and agencies will have to build up the expertise to develop performance measures and monitor performance as part of this dialogue process. Parent departments should enhance their performance monitoring capacity by creating an internal, department–wide agency performance review process. Departments also need to make a significant effort to better analyse the linkages between costs (including personnel) and the actual outputs and outcomes of agencies.

The many and various performance reporting exercises should be aligned to improve impact and reduce reporting burden

The gradual approach to introducing performance management initiatives has resulted in a combination of isolated instruments, rather than a well-designed integrated strategy. Additional reporting burdens generated by performance information requests creates a sense of "reform fatigue" which is exacerbated when performance initiatives are not well-aligned. The whole-of-government-strategy on performance should be made explicit and clarified in order to communicate what is meant by improving performance, why information is being requested and how it will be used.

The Public Service should increase the coherence between departmental strategic plans and Output Statements. Links should also be created between performance initiatives at the departmental level and at the level of divisions and individuals. There is a need to clarify the cascade of performance targets and to send clear messages to staff explaining exactly what performance means. The integrated performance strategy should also include a government-wide planning and reporting framework.

The quality of performance indicators and information should be improved and information collection better integrated

Performance initiatives have suffered from a lack of clear and measurable indicators as well as varied or poor quality performance information. This is a common challenge across OECD countries. As the government-wide requirement for departments to produce annual Output Statements is only in its first year, the focus should now be on improving the quality of indicators and performance information collected and provided through

these statements. This will take time, but will also require investments in performance management capacity.

The Management Information Framework (MIF) has had some difficulties because it was conceived and implemented before the rollout of most other performance reporting initiatives. Therefore it is not well integrated with the data needs of the indicators developed under these other initiatives. Instead, it has tried to anticipate all possible needs making it unnecessarily unwieldy and complex. A mismatch between operational data produced within the MIF and data needs in Output Statements and strategic plans also increases reporting burden.

Improving performance information depends on sequencing the definition of information needs and the development of corresponding systems to go hand-in-hand so that objective information is gathered about public sector performance in the form of outputs, outcomes or evaluations. Robust performance data are needed in order to underpin a greater performance orientation and to allow the Government to develop "quick wins" which build support for further implementation and provide the basis for developing additional reforms.

As the experience with Output Statements increases, the Public Service should make a concerted effort to *improve departmental Output Statements* by creating 1) more relevant and measurable performance indicators; 2) real-time operational data; 3) baseline performance information; 4) clearly defined targets; and 5) more quantifiable targets which measures outputs and outcomes as opposed to processes. The experience of other countries is that increasing a performance focus takes several years, and even then, is a difficult challenge to meet.

More integrated use of management information in performance reporting, in particular through the MIF, would reduce reporting burdens. The Public Service should pilot some projects which co-ordinate the development of data needs between the MIF, the expenditure control units within the Department of Finance and some select departments in the development of their Output Statements and strategic plans. This will produce an integrated performance reporting that can be used as a model for the rest of the Public Service. Supporting databases may also be necessary on a sector basis. Once initial steps are taken, the system can then be expanded to include more conceptually difficult and data-poor activity areas. Performance indicators should be aimed at capturing the results and impacts that policies have had on society, leaving the measurement and implementation of operational goals to devolved bodies within the Government. One of the benefits of improved performance information will be to provide the Public Service with information on its own costs, in order to allow it to make informed decisions about the type of service delivery tool that can achieve the most value for money.

Increase flexibility and encourage prioritisation by moving from micro to macro spending controls

A strengthened and integrated performance management system, complemented by a performance culture, will set the stage for increasing managerial flexibility to improve performance as discussed earlier in the section on Capacity. This does not obviate the need for spending controls. As a tool to limit overall public expenditures, the effective hiring limits have not provided the Public Service with much flexibility to reallocate resources to new priorities. Moving away from *ex ante* controls should be accompanied by overall budget

limits under which additional flexibility is allowed. The Government should consider a more "top-down" budgeting framework with aggregate expenditure totals driving the process instead of the current medium-term fiscal target within the existing three year medium-term expenditure framework.

A fixed medium-term expenditure framework with hard aggregate expenditure ceilings would help to constrain overall spending, and promote reallocation and the development of efficiency measures. This would also set out more clearly the Government's policy directions and the environment in which they are being considered, and set a medium term economic and fiscal framework for planning purposes, especially in light of the National Development Plans and the Social Partnership agreements.

Moving towards a citizen-centred approach

The bottom-line for the citizen is the speed, quality and appropriateness of public services. Delivering this requires the Public Service to adopt a citizen-centred approach that matches the service interface with citizens' own quality expectations which are often driven by their contact with the private sector. One major opportunity for the improvement of service delivery – and for joining up the different parts of the Public Service – is through the use of e-government. Moving forward, both improving public services online and offline will depend on renewed leadership to work in an integrated fashion, and a re-examination of how to best share funding and accountability.

Adopting a citizen-centred approach also depends on making the Public Service more open to feedback on policy and services from citizens, users and other stakeholders to help set service priorities. Irish citizens and residents are being transformed by the Internet and their own growing expectations from being *users* of public services to participants and even *partners* in shaping and delivering public services. In order for the Public Service to keep up with, and tap into, these larger social forces, it should promote transparency as a value that will make the Public Service more dynamic and increase the public's trust by fostering a debate on the Public Service's contribution to societal outcomes such as life expectancy and competitiveness.

The major challenge for the Public Service is to improve service quality through timely, user-focused and integrated public services

In recognition of the service challenge, the Public Service has put in place initiatives such as the Quality Customer Service (QCS) and Citizen Charters to better measure user satisfaction, to improve customer focus, and to explain to customers what exactly they can expect from the Public Service in terms of service delivery. QCS initiatives, including customer service charters, Public Service excellence awards, central guidelines on standards of customer service delivery, and customer satisfaction surveys, should be implemented more systematically and monitored more closely.

QCS surveys have shown that, in general, the public is satisfied with their contact with the Civil Service, and that the more contact they have, the better their opinion of the Civil Service. The Public Service, as a whole, needs more quantitative performance measures and targets for faster and more efficient delivery of services that help citizens link Public Services with achieved benefits. This will give the Public Service more self knowledge about its achievements and operations in order to respond to anecdotal stories. It also allows it to influence the terms of debate about the quality of public services, and to develop indicators that are comprehensible and meaningful to the

general public. More basic service delivery items should be compared and benchmarked across government. The customer service achievements of all Government departments and sectors should be reviewed annually in a single report on each. The Public Service also should encourage public bodies to adopt and achieve international standards and quality frameworks, such as the European Common Assessment Framework or the Canadian Common Measurements Framework.

E-Government efforts should be renewed with an emphasis on achieving efficiencies for reinvestment into improved service quality

Ireland has produced many quality e-government services and the initial focus of putting services online has moved on to improving business processes and back offices systems as those early adopters have realised the value of this approach. While there have been some large, complex ICT projects which have failed in the past, there are many examples from organisations such as the Irish Revenue Commissioners, the Department of Agriculture, Fisheries and Food, the Department of the Environment, Heritage and Local Government and others that have demonstrated the value of this approach and their ability to deliver.

Part of the challenge has been the strong fiscal environment that has lessened pressure to use e-government as a means to improve service efficiency through business process re-engineering. Under such conditions, there is a temptation to simply spend more to solve a problem. In response to this, the Centre has set up processes for the control of large ICT expenditures. In this context, a tightening fiscal environment should actually be seen as an opportunity to create pressure for renewed innovation for efficiency and effectiveness.

In order to better harness e-government for other modernisation objectives such as value for money, quality customer service, and administrative simplification, the Centre should improve linkages between the modernisation and e-government initiatives to send a message to leaders across the Public Service that e-government is not about ICT alone, but that ICT and business units need to work together. Improved integration with the modernisation and change programme would help e-government initiatives re-orient themselves towards supporting the business lines of their departments. For example, reinforcing and extending QCS efforts in the e-government arena could help make online services more user-friendly by promoting a revision of processes from a user's perspective. This involves a structured approach to the development of online services, *i.e.* a system to support and capture innovation from the bottom up in order to improve the effectiveness of the system as a whole. It also reflects different traditions regarding population registration and identity verification.

In terms of online service delivery, Ireland has begun to fall behind in international benchmarks such as for the 20 online services monitored by the European Commission. In this respect, it has followed a pattern seen in many OECD countries where large bodies have managed to advance quicker than smaller bodies given benefits of scale and the ability to recruit needed skills. This may be an unintended consequence of fragmentation due to agencification, as well as the lack of shared ICT service agencies, except in the local government sector.

Government bodies that lag behind in the implementation of e-government should be pushed to develop in multiple ways: 1) clearer objectives and related, measurable targets are needed, as well as accountability for delivery; 2) more guidance and technical tools

such as contract templates; 3) the sharing of good practices and good practice criteria; 4) the nomination of centres of excellences could, for example, contribute to a raised standard of e-government by sharing good practice and providing technical assistance and/or services on behalf of other bodies. In these areas, the experiences of Denmark, Canada, and the Netherlands could be instructive.

Integrating e-government activities will require leadership co-ordinated vision and shared funding and accountability

Moving towards a citizen-centred approach requires the Public Service to look past its own internal logic to adopt that of the citizen. Citizens should not have to master the structure of the Public Service in order to get a response. Not surprisingly, however, the most pressing challenge for online service development in Ireland is to improve co-operation between Public Service bodies.

Since 1999, Ireland has sought to put in place a seamless electronic interface for users to access electronic services, known as the Public Service Broker (PSB). This initiative was envisaged to be an Amazon.com-type service for the public sector which would provide a single point of entry for access to all public electronic services, regardless of who provided them within the Public Service. This visionary approach has experienced several setbacks, however, and for the moment, has fallen short of expectations. It is linked to too few online services, and its centrepiece – the Reach online authentication service – is generally not considered to be user friendly as its registration process involves both online and mail-in procedures, resulting in a lengthy and complicated process.

As there are no real rewards for those willing to take risks by working with the PSB, common financing is needed in order to create incentives and shared ownership of cross-government services. Collaboration and joint applications must be a precondition to receive monies through common funding. It is also essential to reinforce the cost and benefit analysis capacity of departments and agencies in order to better quantify, and make explicit, potential benefits of both shared and integrated services.

The Centre should also act as a champion for connected and aligned e-government at the highest levels in order to provide unified e-government leadership. Currently, different parts of the Public Service have focused on different parts of the e-government agenda: 1) putting services online and developing the Information society; 2) sharing services and increasing Public Service-wide efficiency; and 3) achieving efficiency and service benefits through business process re-engineering. These approaches need to be brought together into a common strategy and clear leadership to encourage – and even force – government bodies to embrace whole-of-government objectives and to collaborate to deliver on those objectives. This does not imply a single organisational structure, but clarity of voice and co-ordination of the overall message.

Finally, the Public Service should prioritise the development of the standards and architectures that underpin integrated and shared services. This requires close co-ordination across policy and implementation responsibilities, and an integration of reform levers (expenditure control, operating protocols, technical standards, interoperability, and the overall architecture of the public ICT domain). Given their strategic importance, Secretaries General should agree on the core processes and implementation mechanisms as part of a new strategy for e-government, and then on a framework of key processes and supporting information.

An open Public Service is a necessary element of user satisfaction and a source of input for improving services and policies

Ireland has shown a willingness and leadership to have an open Public Service. This is reflected in its recent consultation guidelines and the frequency of consultation both through administrative channels, as well as through the mechanisms of Social Partnership. Exposing the Public Service to greater external scrutiny and inviting in new ideas and partners, however, will only work if the Public Service fosters a risk-taking culture that will allow public servants to experiment and to make mistakes.

While much public information is already available under the Freedom of Information Act, the Public Service should consolidate information in order to make it more transparent and easily accessible. For example, in addition to ensuring that the results of Regulatory Impact Analysis (RIA) are made available through the relevant Department's website, they should also be available through one centralised location. It may not always be clear to the public or interested stakeholders, which Department or Office is taking the lead on a particular regulatory issue, and as such, one single, easily accessible webpage listing such documents (perhaps with links to the relevant departmental website for additional information), ensures that such information can more readily be made available to, and accessed by, the public and interested stakeholders. The requirement that annual reports from 2006 onwards would include information on RIA published in the preceding year (as outlined in the Partnership agreement *Towards 2016*) will also help to improve transparency and openness. Renewed effort should also be made to streamline information about Public Service contacts, regulations and service standards in order to promote clear Public Service delivery standards and to make them more accessible to citizens and other users of public services.

Greater openness can sometimes slow down implementation by adding additional processes. This needs to be acknowledged, but additional burdens can be eased by providing a framework for consultation[10] in order to match the purpose of consultation and participation initiatives with the type of consultation needed. The Public Service should also explore greater cross-departmental and/or cross-agency communication on proposed public consultation processes, so that greater co-ordination of consultation efforts can take place. This will allow similar topics or issues to be addressed in composite documents with the results shared. Not only could this allow for better targeting of consultation processes, but would also ensure that duplication in the system is minimised. The creation of a consultation portal – a central database where the public or interested parties could see what processes are underway in thematic areas, and would allow them to submit comments online – could also improve response rates.

Consultation and participation efforts could also be improved through greater clarity and transparency, *i.e.* who is consulted and how is their input used. This does not necessarily mean that everything must be taken on board, but it does mean that participants should be able to hear back from Public Service bodies that their views have been heard and understood. The Public Service can achieve this by integrating a quality customer service perspective into policy formulation and development.

The commitment to greater openness should extend beyond the Public Service management and unions – broadening the discussion on the common objectives for the Public Service to the broader civil society. Social Partners are well-placed to enhance common cause with citizens in order to bring their voices into discussion arenas. This can

be achieved by continuing other forms of consultation and participation as a complement to Social Partnership – both directly by the Public Service and by using Social Partnership consultation mechanisms. The focus should be on delivering benefits for the economy and the society as a whole. In addition, workplace Partnership structures should be used to help generate ideas on how to improve performance, rather than focusing only on conformity with the modernisation process. An example would be the practical application of the lifecycle model to service design and delivery.

Strengthening governance

Given the economic and societal changes that Ireland has faced – and has yet to face – the key challenge for Ireland's modernisation agenda looking into the future is how to strengthen the governance of the Public Service. Strengthening public governance involves looking at how the Public Service can better respond to changing problems, actors and circumstances, in light of its core values, by addressing the formal and informal arrangements through which public decisions are made and public actions are carried out. To this extent, strengthening governance is not about reaching a particular state of affairs, but instead achieving a constant state of preparedness by putting in place the incentives, channels and working methods to achieve needed change in the Public Service.

Maintain focus on whole-of-government and long-term objectives

While political actors help to ensure responsiveness and political accountability, the Public Service also has a responsibility for providing a long-term and integrated perspective on meeting societal demands. By their nature, political systems tend to focus on short-term results, while administrative systems focus on longer-term interests. Improved alignment of the political and the administrative agendas can be fostered through greater transparency of information and analysis, so as to improve the responsiveness of the Public Service and to extend the planning horizon of politicians.

Translating individual constituent interests and complaints into a plan for broader system improvements will require a broad view of the Public Service that extends beyond day-to-day service delivery and fire fighting. In order to develop reforms of complex systems that cut across service delivery responsibilities and that can take many years to implement, the Government should further build up strategic capacity within the Civil Service and across the broader Public Service in order to improve the pace and sequencing of reform (Box 1.2).

Politicians can promote socially, economically and environmentally sustainable development by putting short-term goals in a longer-term perspective and in the context of budget realities. Policy analysis and advice emphasising long-term scenarios are therefore needed to help provide this perspective. Greater public awareness of long-term budget projections produced by the Department of Finance (DoF) would promote dialogue among politicians, public servants, Social Partners and civil society on the subject of long-term social and economic challenges faced by Ireland, and the possible policy responses. The Government could therefore make further use of these projections and promote more discussion of their policy implications in order to explain the need for reform over the long-term. Greater use of independent *ex ante* policy evaluations, such as those set out in the Regulatory Impact Analysis (RIA) or Poverty Impact Analysis (PIA) models, would also better inform Cabinet decision making.

Box 1.2. **Reconfiguration of hospital services in the health sector**

The Public Service is seeking to transfer and consolidate the services provided by five acute hospitals in the North East of Ireland to one new regional hospital. Its objective is to better rationalise the delivery of highly specialised surgical and acute medical procedures so that surgeons are given the chance to perform procedures often enough to maintain their skills. Due to fragmentation of services across the regions – largely for historical reasons – not all acute care hospitals can provide all of the surgical procedures required by their local populations, while in other cases, hospitals are not seeing sufficient throughput to allow consultants to see a minimum number of cases per annum. Some procedures are provided so infrequently by individual hospitals that, from a clinical perspective, they are unsafe for patients.

This reform takes place in light of high public pressure on the Government, the Department of Health and Children, and the Health Service Executive, to substantially improve and reform health services at national level. While regional in focus, success of this reform depends on the governance arrangements between the Department and the Health Service Executive, the co-ordination of acute hospital care and related health service provision – including community and long-term care. It also raises issues on the Public Service's capacity to sequence reforms in order to maintain public trust, to analyse user data and to conduct consultation to develop policies that have the support of major stakeholders.

This is not a resources issue in the short-term. Even with unlimited resources, it would not be safe for patients to have specialist services provided in hospitals that lack the necessary critical mass of activity and patient throughput. Part of the challenge is communicating this to the local citizenry who may feel that the Government is just trying to save money by closing hospitals. There are specific challenges, however, that need to be addressed if the reform is to be successful: 1) achieving an integrated approach; 2) planning for budget needs, and 3) assuring proper personnel planning, in particular with regard to the supply of General Practitioners.

Review the government agencification framework in order to promote efficiency, innovation and better services

While adding needed capacity to the Public Service, the way in which agencies have been set up in recent years has decreased the overall accountability of the Public Service, while increasing fragmentation and complexity (Box 1.3). The establishment of an overall governance framework for agencies will require that the Government rethink the organisational form of service delivery as a whole, deciding what functions in principle should remain in central departments, what functions should be devolved to local authorities, and what functions should be carried out at arm's length from the Civil Service.

When establishing an agency, the Government should seek to match governance structure with agency objectives. For example, many Irish agencies are working in areas that are clearly delineated, have few products, and have relatively easily identifiable performance objectives and measurement criteria. The governance structure of a "departmental agency" – with large managerial autonomy, but little policy independence and clear hierarchical relationships to line departments – fits better these types of agencies. Ireland could usefully consider exploring this type of agency structure for service delivery functions.

Box 1.3. **Managing agencies**

While state agencies have existed throughout Irish history, the more recent creation of agencies in the Public Service has taken place in an *ad hoc* manner, in response to new regulatory and service delivery challenges. The proliferation of agencies in Ireland has allowed the Government to increase Public Service capacity without giving the impression of building up a bigger bureaucracy, at a time when policy makers are concerned about possible bureaucratisation. To a certain extent, agencies have also given the Government needed flexibility to deliver services in response to increasing citizens' expectations. This flexibility seems to have been mostly in the areas of recruitment and financial management, but there has also been a tremendous amount of freedom in setting policy objectives which has led to mission creep of some agencies.

Like many OECD countries, Ireland has had difficulties in establishing a clear governance framework for agencies. One consequence is that the increased complexity of the Public Service has made it more opaque to citizens, private companies, and Government departments themselves. Finding the right governance and accountability structure for the management of state agencies involves choosing structures and reporting relationships that are adapted to their purposes. This has not been the case in Ireland. For example, Irish agencies have utilised participative management to a greater extent than in most OECD countries, even though participative board structures are not well adapted to basic service delivery. In addition, local agencies seem to have been set up to compensate for some perceived weaknesses of the local government system, which is not sustainable in the long run, and has led to large scale duplication of roles.

The Government should establish clear guidelines and criteria for establishing new agencies and for operating existing ones. The new agency rationale should prohibit the creation of agencies solely for increasing resources and personnel allocated to a specific policy priority. If a capacity need is identified in a sector, a review of the relevant departmental mandate should be carried out first. The decision to create an agency should only be made following an assessment of personnel and capacity needs, and of the best type of governance structure needed to conduct government policy in this area.

Enable departments and other Public Service bodies to take a more active role

Departments also have an important role to play in improving the responsiveness of the wider Public Service. As noted earlier in the section on performance, a performance dialogue between departments and agencies is crucial in order to develop a consensus on objectives and to increase accountability. This will require departments to build up their capacity in their oversight and performance management roles.

This necessary transition has been impeded by the strong role of the Centre – in particular, in its input control capacity – which tends to draw responsibility away from departments and other Public Service bodies for the ownership of the reform agenda. By retaining power and central control in areas like budget and resources, the Centre has limited the managerial devolution that was originally envisaged under SMI, and reduced the pressure on departments to take responsibility. The end result is that innovators within the Public Service feel constrained. Those who do innovate have few opportunities to identify and generalise these across the Public Service.

Departments should re-establish themselves as the focal point for issues that arise in their sector. They need to capitalise on their broad view and knowledge of their sector area by identifying trends and anticipating problems and, convening actors – drawn both from their agencies as well as other stakeholders – around clusters of issues that require a joined-up approach. By fostering such networks, departments can respond to some of their own capacity limitations by drawing on outside expertise and communities of practice. As the policy experts, departments should also be responsible for identifying innovative practices as part of the performance dialogue with their agencies.

As noted earlier, the effective limit on Public Service hiring may have led to a shift in personnel resources away from oversight and management responsibilities to service delivery. Across the Public Service – including in the Centre – bodies have relatively low numbers of staff dedicated to advancing the modernisation programme. Given the scale of the change required and the size and diversity of the Public Service, the Public Service should explore mechanisms for reallocating resources to reinforce champions and change agents throughout the Public Service. This includes strengthening the leadership and communication role provided by the Centre, as well as supporting the internal implementation of the reform and modernisation process within departments and in each of the sectors, *e.g.,* health, education and local government, so that the reform and modernisation agenda can be built up and embedded at the local level.

Some may argue that central fiscal control has also weakened innovation and capacity at the local level. Compared with many other OECD countries, a relatively large part of Ireland's government expenditure is spent at the local level, in areas such as environmental protection (including waste management – Box 1.4), road transportation and safety and water supply and sewerage (health and education are national responsibilities). These expenditures will probably rise further in the future, but relative to other OECD countries, there is little local fiscal autonomy in Ireland and the share of sub-national revenues (as part of total government revenues) is very small.

The Public Service could usefully explore the challenges and opportunities of greater devolution to local government in order to build up an evidence base for future discussion on devolution, as well as to identify the capacity needs of local authorities. This could be supported by piloting increased mobility between local authorities and the Civil Service so as to allow for greater development of competencies and skills. Only when the Government has been able to evaluate and draw lessons from the experiences of pilot projects should further consideration be given to the possibility of devolution of specific responsibilities. Accompanying changes in resource and oversights should also be taken into account.

The Centre should be responsible for setting the conditions for advancing reform throughout the Public Service

As noted earlier, the *SMI*/modernisation process has primarily been driven to date by the Centre – the two lead Civil Service Departments of the Taoiseach and Finance. The Department of the Taoiseach has taken the role of providing leadership, direction, support, research, and building consensus for reform, particularly through its role in co-ordinating Social Partnership. The Department of Finance has taken the lead role in implementing reforms in the area of financial management, performance management and HRM, drawing on its guidance, training, technical assistance, and financial and personnel control functions.

Box 1.4. **Waste management in the local government sector**

The establishment of, and increase in, waste management charges, and the withdrawal of the local authorities from many parts of the waste collection market have created new opportunities for the private sector. This has led to a shift from public service provision by local authorities to an increased involvement of private enterprises in the waste market. The shift has raised, on the one hand, concerns about private sector responsibility for certain environmental and social goods previously ensured by the public sector. And, on the other hand, concerns about potential conflict of interest in the dual role of local authorities as both regulators and service providers. This has prompted the national Government to commence a comprehensive review of the regulation of the sector which is now well advanced and has included a formal public consultation.

A number of conditions necessary for the effective implementation of national waste management goals have not been met. In particular, insufficient co-ordination of regional plans may have led to unanticipated outcomes such as an excess of landfill capacity and raise the risk of missing long-term environmental goals. In addition, the local authorities' reluctance, until now, to use existing policy tools fully (*e.g.* pricing, contractual and regulatory tools) has contributed to less efficient waste collection due to unequal terms of competition and uneven treatment of citizens (*e.g.* in terms of waivers and unserved communities). These problems are only now being addressed in the review of regulatory arrangements.

The private sector has entered into markets under a system where the planning, regulatory, and contracting tools have been largely available, but underutilised. Market entry involves major investments and creates vested interests. While changing the rules all at once will have a potentially destabilising impact, the current system is clearly underperforming. This case illustrates the importance of planning and managing adequately from the outset the market delivery of public services. It also suggests that the Public Service is reacting to broader changes in the market and international regulatory (European Union) environment, rather than taking a more proactive approach. Absent the Public Service role, new arrangements quickly become entrenched, regulatory and contractual changes are subject to judicial challenge, and the cost of changing the system become greater over time.

These distinct and complementary roles in relation to the reform and modernisation agenda, are not necessarily well understood by staff in the wider Public Service, in particular as one moves further away from the Centre. Over the medium-to-long term, however, the shift from input controls to managing for performance will allow the Centre to reduce some of its (time and resource intensive) control functions in order to focus on the more strategic aspects of its responsibilities such as establishing frameworks for performance dialogues, and identifying and promoting innovative practices across the Public Service. This will also enable the Centre to spread more effectively a performance oriented to the rest of the Public Service and to improve the linkages between reforms such as QCS, performance, HRM, regulatory reform, financial management and e-government as they are implemented across the Public Service.

The strategic functions of the Centre include identifying future challenges and obstacles, and promoting dialogue on desired societal goals and indicators – both within the Public Service and with the Oireachtas, Social Partners, civil society, the media, and other stakeholders. This is an important step in order to identify a future vision for the Public Service, to make it responsive and accountable for global outcomes, and to measure progress on issues that are of importance to the general public.

In order to better communicate the benefits of Public Service reforms, the Centre should develop coherent communication strategies to draw more linkages between the everyday work of the Public Service and broader societal outcomes. This requires renewed efforts to develop quality indicators at both the very broad, macro level as well as for intermediate outputs that can help provide the link between action and results. This will both help to build up trust within the general population and to reinforce the public service ethos of public servants.

A networked approach is needed to achieve an integrated Public Service

As noted at the beginning of this chapter, meeting future challenges will depend on the ability of the Public Service to act in an integrated way in order to own and to deliver on crosscutting priorities (Box 1.5). The Public Service has made significant efforts to improve its level and rate of responsiveness to crosscutting societal issues. Many mechanisms and

Box 1.5. **School planning in the education sector**

In recent years, the school planning and building programme in Ireland has increased exponentially in scale and complexity as the result of population growth and migration. From 1997-2005, spending on primary and post-primary school buildings has expanded by more than 500%. Under the National Development Plan (NDP) 2007-2013, the Government plans to provide an additional 100 000 primary school places over the next seven years, to catch-up with existing need and to prepare for the projected increase in primary school-age population.

This rapidly changing context is raising a number of new challenges for school planning: 1) **speed and responsiveness** – up to 2007, new housing developments were being built so quickly in some areas that the accompanying infrastructure could not keep up; 2) **agility** – the population base of existing neighbourhoods is changing so that the mix of schools may also need to change in order to serve both parochial and secular students; 3) **capacity** – the Public Service may not have the planning and development tools to anticipate needs, rally resources and manage projects; and 4) **coherence** – the different sectors may not be sufficiently working together to help anticipate needs and make the most of infrastructure for community as well as educational use.

In order to meet these challenges, the Department of Education and Science must work with a network of partners both inside and outside of the Public Service. While its policy responsibilities remain fairly centralised, implementation is a shared responsibility. The Department (which is responsible for school planning at the national level) works with individual schools (which are responsible for project management), local authorities (which are responsible for spatial planning), and churches and associations (which serve as school patrons). This is a particular challenge as the Irish school system is fragmented and small-scale (over 50% of schools in Ireland have 4 or fewer teachers), with individual voluntary boards each managing a single school. This is the result of the system's historical evolution and is in keeping with the preferences of many Irish citizens, but it results in a system that lacks efficiencies of scale.

The Department of Education and Science also consults with local authorities about planned residential developments and the need for community facilities in school buildings. Progressive local government authorities are showing innovative practices such as negotiating with the developers/builders for school sites, but the capacity to undertake such proactive action varies across local governments. The Government recently announced that it would be introducing new guidelines requiring local government involvement in school planning.

Committee structures already exist in the Irish Civil Service, including the excellent Office of the Minister for Children, and more recently, the Office for Older People and the Office for Disability and Mental Health.

The increased complexity of the environment in which the Public Service operates does not require more structures. Instead, the Public Service needs to promote more networked ways of working, in which all of the parts of the Public Service are empowered to work together to solve the problems of the public. In many ways, the Irish Public Service is already rich with informal networks that reflect the small size of the country and of the Public Service. Further activating these networks so that they can take on a broader range of crosscutting issues, however, requires a significant investment of leadership and strategic capacity in place to manage networks, and to prioritise and allocate resources prior to a crisis or prior to the implementation of a major policy.

The systems and structures for horizontal coherence are in place in Ireland, but they will not be effectively used until accountability structures are aligned with broad social outcomes. The accountability system in the Irish Government is clear and well laid-out, but is built on clear-cut responsibilities for individuals and organisations, rather than in terms of the interests of the whole-of-government. As a result, public servants tend to maximise their own organisational policy objectives and interests and are unlikely to take collaborative risks. While successive government programmes have identified crosscutting priorities, the Public Service needs to reorganise its accountability structures and working processes in order to support these priorities. The Irish Public Service is not alone with respect to this problem. This is one of the biggest challenges shared by OECD governments today.

Conclusion

An integrated Public Service will depend on changing behaviour rather than structures

The next few years present both a challenge and an opportunity for the Irish Public Service. An implementation challenge exists because new ways of working are needed in order to meet increased expectations with constrained resources. Thus, the incentives, structures, and arrangements of the Public Service will need to be adjusted accordingly in order to make it more agile and responsive to an ever-evolving environment. Demographic change, increases in public expectations, and infrastructure needs will continue to put pressure on available finances, even as new needs continue to arrive on the horizon.

Greater flexibility within the Public Service is required as part of the move from input control to managing for performance. This will also mean that a common vision for the Public Service is more important than ever, so as to allow individual bodies to set out and agree on clear objectives to guide their actions. Changes in human resource management, performance management and governance models are all needed in order to allow public servants to understand the necessary changes and to share in the common vision organised around the needs of citizens. This requires a Public Service culture in which change is embedded rather than imposed. Only in this way can a coherence of the reform agenda be achieved. This will transform the Public Service as a whole.

While there is broad recognition that reform is urgently needed in the Public Service, it also has an opportunity to mobilise itself. There is a tremendous reservoir of goodwill and trust in the Public Service that can be tapped into if the Government shows courage, leadership, and vision. Achieving an integrated Public Service will require mobilising its

greatest resource – its core values – in order to unlock further value through shared services, improved cross-governmental co-ordination and devolution, and by taking shared responsibility for performance.

The Irish Public Service should keep in mind that it is more effective when it operates in a united and integrated fashion. Public Service reform therefore needs to focus on the Public Service as a whole, rather than on a group of disparate parts. This will allow it to focus on developing complementary capacities, which involves thinking about how the outputs of the parts support a greater outcome. It entails identifying the incentives needed to maintain the sharing of information and people in a networked fashion across the different parts of the Public Service. The modernisation agenda needs to transform a series of *ad hoc* initiatives into an integrated reform programme. In tightening, albeit more sustainable economic times, such vision and leadership is needed to help the country make difficult choices, both for the nation as a whole as well as for its different regions. Only in this way, will the Public Service be able to move away from a central control paradigm to a more responsive and flexible approach to meet the needs and expectations of the country as a whole.

Notes

1. The Irish Public Service is a collective term for all permanent administrative and technical staff employed on behalf of the State. The Public Service includes the staff working in all state agencies that are not formally part of a department/ministry, but provide services on behalf of the State (such as the police, the Defence Forces, health service personnel, teachers, etc.). For the purposes of this review, the term Public Service is also understood to include the Irish Civil Service. The Civil Service comprises the staff of: 15 government departments (ministries); the Courts Service; the houses of parliament (the Oireachtas); the office of the President; and certain state agencies such as the Office of Public Works and the Revenue Commissioners.
2. Central Statistics Office (2006).
3. Real expenditures on educational institutions for primary, secondary and post-secondary non tertiary education from both public and private sources for the period 1995 to 2004. See Chart B2.4a of OECD (2007), *Education at a Glance*.
4. Real per capita expenditures on health from both public and private sources for the period 1995 to 2005. See Chart 5.1.3 of OECD (2007), *Health at a Glance*.
5. Public expenditure as a percentage of GNI in Ireland was 39.8 % in 2004.
6. For Ireland, employment in voluntary schools, hospitals, universities and public enterprises (but not semi-state bodies) is added to make this number comparable with the general government employment figures of other OECD countries.
7. 2007 data from the Central Statistics Office (CSO) Ireland shows that employment in the Irish Public Service is 16% of the total labour force. This data is based on specific CSO methodology which is not comparable with OECD data for other countries.
8. In December 2003, the Irish Government announced a major programme to relocate some 10 000 Dublin-based civil and public servants to approximately 53 locations around Ireland, including the relocation of 8 Government Departments in their entirety. This is known in Ireland as the "decentralisation" programme, but the OECD report refers to this policy as "administrative relocation".

   The Irish programme does not provide for any transfer of functions from central government to other government organisations, or the private sector, but instead physically relocates central government functions, and staff to regional areas outside the greater Dublin area. In addition, some central government functions that are currently housed within one geographic location or office in Dublin, are now being relocated or dispersed to various regional areas.

9. Managerial flexibility for agencies should be increased, however, only after they acquire confirmed capacity in strategic management, financial management, auditing, and accounting. The criteria such as those laid out by the Dutch Government for the creation of new agencies in the Netherlands might be used as an example (See Box CS2.4 in the case study on Managing Agencies).

10. The International Association of Public Participation lists five reasons for public consultation and participation: 1) for informing participants about costs and benefits of potential new policy; 2) for consulting them on policy analysis and options; 3) for involving them in order to understand their concerns and aspirations; 4) for collaborating with them to identifying policy options; or 5) to empower them to make decisions. See *www.iap2.org/associations/4748/files/Spectrum.pdf*.

ISBN 978-92-64-04325-1
OECD Public Management Reviews : Ireland
Towards an Integrated Public Service
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Chapter 2

Fiscal and Demographic Developments

Introduction

Over the past decade, Ireland has managed to achieve the highest real growth rates in the OECD. The Irish Public Service has a crucial role to play in enabling, strengthening and sustaining this economic growth by creating the conditions for investment, and rapidly and efficiently investing billions of euros in infrastructure, scaling-up services, managing public private partnerships and testing new service delivery models. This chapter examines Ireland's current economic status and performance since 1995, and identifies the future challenges for the Irish Public Service to maintain and build on its economic progress in response to changing infrastructure and demographic needs.

This chapter primarily presents background information. It also points to issues that will be explored in more depth, in the chapters on Capacity, Performance, Citizen-centred approach and Governance. In addition, the *OECD 2008 Economic Review of Ireland* offers a more extensive analysis on the current economic challenges facing Ireland.

Overview of fiscal context

Ireland's economic growth improved significantly from a low starting point in the 1980s to achieve the highest average annual rate of real gross domestic product (GDP) growth over the 1995-2007 period exceeding 7%, compared to 2.7% in the OECD area. As a result, per capita income has been propelled above the OECD average, as discussed below.

However, the period of economic catch-up over the last decade is over. Productivity growth has slowed in recent years and the housing construction period of buoyant growth has come to an end. Public finances are therefore facing considerable pressures as the recent easing of economic activity has led to a slowdown in government revenues and a sharp deterioration in the fiscal balance. Concurrently, the government is committed to a large infrastructure investment programme, and there is strong demand for better public services. Following many years of a booming economy, the growth slowdown will test the resilience of the economy. OECD projections[1] expect real GDP growth to decrease significantly from 5.2% in 2007 to 2.9% in 2008, but will be revitalised to reach 4.2% in 2009. Real gross national income (GNI) growth figures present a similar, but slightly more positive, evolution (see Table 2.1). Despite this economic downturn, growth will remain above both the euro area and the OECD average.

GNI and GDP are both useful indicators in the context of Ireland's highly globalised economy

As a financial and production intermediary, Ireland has one of the OECD's most open economies. Total foreign assets and liabilities each amount to more than 1 300% of GNI. The Irish economy has benefited from high levels of foreign direct investment (FDI). From 2000-2003, FDI to Ireland increased by 70% in absolute terms. In 2004, Ireland was the second highest OECD country in terms of FDI with a value representing 139% of GDP,

Table 2.1. **Short-term fiscal outlook**

Percentage change

	Outcomes				Projections[1]	
	2004	2005	2006	2007[2]	2008	2009
Real gross domestic product (GDP)	4.3	5.9	5.7	5.2	2.9	4.2
Private consumption	4	7.4	5.3	6.4	4.7	3.8
Government consumption	2.3	4.1	6.4	6.3	5.2	4.5
Gross fixed investment	6.9	12	3	3.5	–1.8	4.2
Total domestic demand	3.8	7.9	5.7	3.4	2.7	4.1
Net exports[3]	0.4	–0.9	0.6	2.2	0.8	0.6
Real gross national income (GNI)	3.7	4.9	6.4	5	3	4.6
Memorandum items						
Inflation: harmonised CPI	2.3	2.2	2.7	2.8	2.5	2
Inflation: harmonised underlying[4]	2.1	1.8	2.5	2.3	2.1	2
Employment	3	4.7	4.4	3.3	1.5	2.3
Unemployment rate (% of labour force)	4.4	4.4	4.4	4.8	5.6	5.4
Current account balance (% of GNI)	–0.7	–4.2	–5	–5	–3.8	–3.6
Government net lending (% of GNI)	1.6	1.4	3.4	0.6	–1.2	–1.3

1. Projections are those published in *Economic Outlook* No. 82. Government net lending projections were updated to include later information on the fiscal position.
2. Estimate.
3. Contribution to GDP growth.
4. Excluding energy, food, alcohol and tobacco.

Source: OECD (2007), *Economic Outlook 82 Database*, and OECD calculations.

behind only Luxembourg at 145%. Average inward FDI in 2004 accounted for 19% of GDP amongst OECD countries.

These relatively high levels of inward investment mean that while some profits and other revenues are reinvested in the country, a sizeable proportion of GDP is income that accrues to foreign companies. Other measures such as average per capita GNI, account for financial flows entering and leaving the country. While for many OECD countries, these flows tend to balance out, leaving little difference between GDP and GNI, for Ireland, the outflows of profits and income, largely from global business giants located there, often exceed income flows back into the country. The result has been a persistent gap between GDP and GNI (Figure 2.1). In terms of per capita GNI, Ireland therefore does not rank as well as it does in terms of per capita GDP (Figure 2.2). Between 1995 and 2005, Ireland moved 15 places up the OECD ranking table in terms of GDP per capita, from respectively 19th to 4th position, but only 9 places according to GNI per capita, from 19th to 11th position. The difference between the two rankings for 2005 is pictured in Figure 2.2. In other words, while income per inhabitant is high in Ireland, GNI shows that less of it stays in the country than GDP might suggest, with implications for economic well-being and living standards.

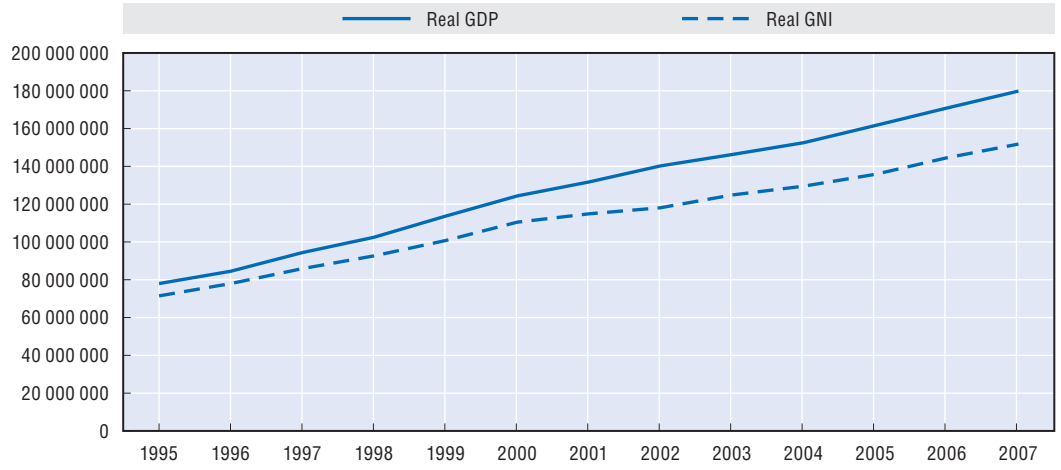
While lagging in the earlier part of the decade, GNP and GDP growth rates have converged in more recent times (Figure 2.3). Growth in both GDP and GNP since 1995 was largely the result of an increase in labour supply and partly of growth in labour productivity.

Public sector expenditure

Due to strong growth and a public sector that is small relative to other OECD countries, Ireland benefited from a spectacular growth in tax revenues between 2000 and 2005. Real public spending increased faster than any other OECD country apart from Korea. Public debt was reduced and the government set up a fund to pay for future pension liabilities.

Figure 2.1. **Real GDP and GNI**

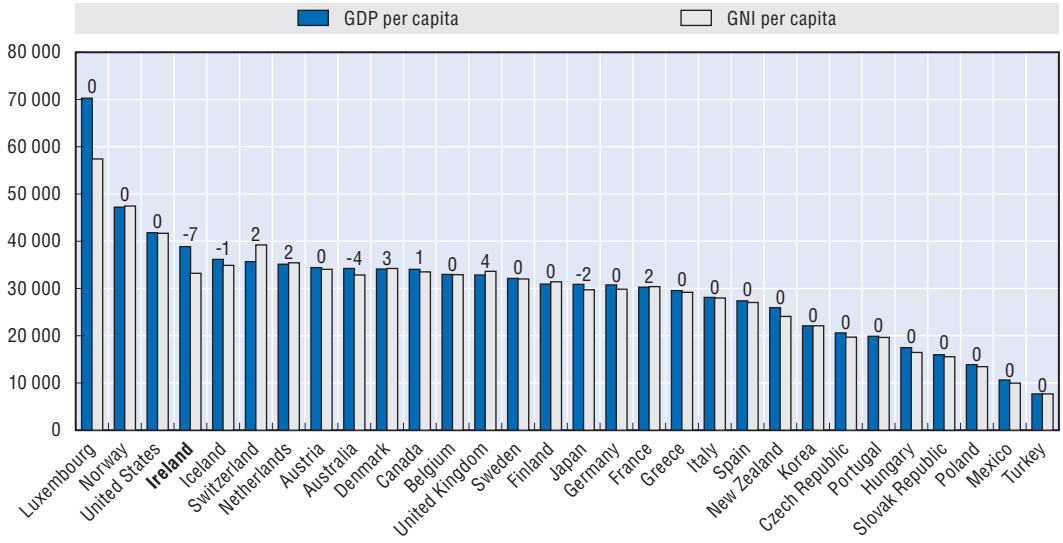
Ireland, thousands of euros, current market prices, 1995-2007



Source: OECD (2007), *Economic Outlook 82 Database*.

Figure 2.2. **GDP per capita *versus* GNI per capita**

OECD, 2005

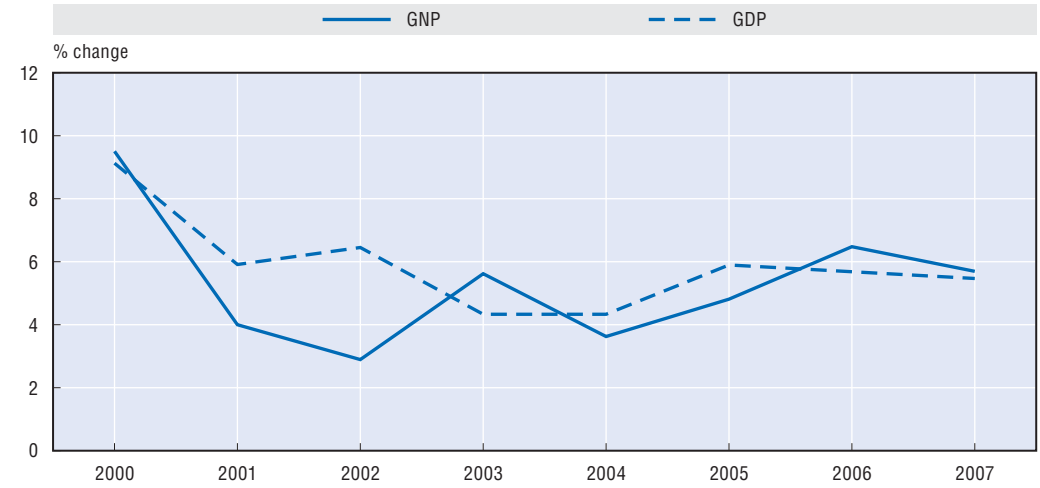


Note: The numbers at the top of each bar represents the change in country ranking when based on GNI rather than GDP.
Source: OECD Statistics Database.

Public finances have therefore been in a healthy position. However, revenue growth has significantly lost pace in line with the economy over the last two years, contracting the government surplus from 3.5% of GNI in 2006 (Figure 2.4) to 0.5% of GNI in 2007. While Ireland is still one of the OECD's best performers in terms of fiscal performance, a budget deficit is forecast in 2008 for the first time since 2002. The government therefore needs to ensure that it has a means to prioritise spending demands and to reconcile multi-year commitments made during a high-growth period on service levels, infrastructure and other policy priorities with its current revenue levels. It is also crucial to demonstrate returns on investments. The current necessary infrastructure investments made under the National Development Plan, for example, should show results commensurate with euros

Figure 2.3. **Real GDP and real GNP growth**

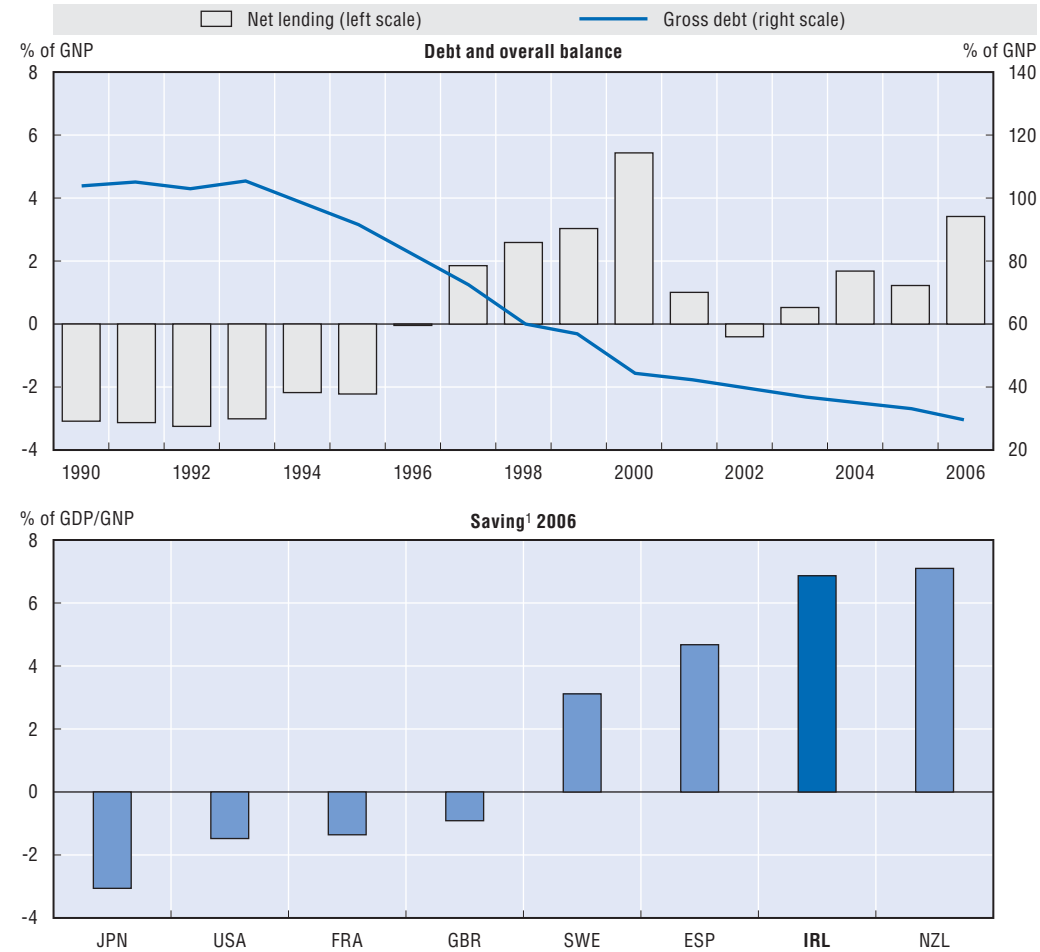
Ireland, 2000-2007



Source: OECD (2008), *Ireland Economic Survey*.

Figure 2.4. **Fiscal performance in Ireland and select OECD countries**

General government sector



1. OECD estimates; current revenue less current expenditure. Data for Ireland shown as percentage of GNP.

Sources: OECD (2007), *Economic Outlook 82 Database* and OECD calculations.
OECD (2008), *Ireland Economic Survey*.

spent. The Multi-Capital Envelope (as of February 2008) indicates that average public investment, including public private partnerships, will represent approximately 6.1% of GNP over the lifetime of the *National Development Plan 2007-2013*.

Despite major spending increases over the past 10 years, expenditures in the public domain, *i.e.* services funded by government and provided by government or the private sector, are small as a percentage of total GDP, compared to other OECD countries. This is because Ireland has traditionally had a small public sector, and so recent increases have been part of a process of "catching up" to more typical OECD levels. For example, amongst 25 OECD countries for which data is available, Ireland ranked third to bottom in terms of public expenditure as a share of GDP in 2005 with 34.4%, above Korea (28.9%) and Mexico (19.5%) (Table 2.2), even when factoring in infrastructure investment. These three countries however presented the strongest average annual rates of real growth in public expenditure

Table 2.2. **Government expenditures as a percentage of GDP**
OECD, 2005

	Government expenditures for the production of goods and services in the public domain	Other liabilities of government	Other transfers to other economic actors	Investment in gross capital formation or non-produced assets	Total expenditures
Sweden	28.9	2.7	22.3	2.8	56.6
France	24.2	3.1	23.0	3.5	53.7
Denmark	27.2	2.7	21.5	1.7	53.1
Finland	25.2	1.8	21.0	2.5	50.5
Hungary	22.2	4.1	19.8	3.9	49.9
Belgium	22.8	4.4	20.9	1.8	49.9
Austria	18.9	3.2	26.8	1.0	49.9
Italy	19.4	5.4	21.2	2.3	48.3
Portugal	21.9	2.7	20.0	2.9	47.4
Germany	19.3	2.8	23.5	1.3	46.9
Netherlands	25.0	2.5	14.8	2.9	45.2
United Kingdom	22.8	2.2	18.8	0.5	44.3
Czech Republic	20.5	1.3	17.1	4.9	43.7
Poland	17.8	2.9	19.2	3.5	43.3
Iceland	26.3	2.1	10.9	3.1	42.4
Norway	20.9	1.2	17.5	2.5	42.2
Luxembourg	16.5	0.2	20.8	4.5	41.9
New Zealand	20.4	2.3	14.0	3.3	40.0
Canada	20.3	4.9	11.6	2.5	39.3
Japan	16.1	2.5	13.9	5.7	38.1
Spain	17.4	1.8	15.3	3.6	38.1
Slovak Republic	16.7	1.6	17.6	2.1	38.0
Greece	14.0	4.0	16.6	2.9	37.5
United States	18.5	2.7	12.9	2.6	36.7
Switzerland	12.7	1.6	18.3	2.4	35.0
Ireland	16.4	1.0	13.3	3.7	34.4
Korea	13.8	1.0	8.1	6.0	28.9
Mexico*	10.8	2.3	4.6	1.7	19.5
Average	**19.9**	**2.5**	**17.3**	**2.9**	**42.7**
Median	**19.8**	**2.5**	**17.9**	**2.8**	**42.9**

* The year refers to 2004.
Source: OECD National Accounts.

over the 1995-2005 period with 6.4% for Korea, 5.1% for Ireland and 4% for Mexico. If however the level of public expenditure in Ireland is expressed as a percentage of GNI (40.5%), it becomes much closer to OECD average levels expressed as a percentage of GDP (42.7%).

Much of public spending in Ireland is allocated to social protection and both the health and education sectors (Table 2.3). The public functions experiencing the highest real average annual increase in expenditure over the 1995-2005 period were environment protection (10.34%) and health (9.21%) (Table 2.4). Given Ireland's strong economic performance, however, public expenditure as a percentage of both GDP and GNI has actually decreased over the past 10 years. Ireland's real average annual growth rate in public expenditure between 1995 and 2005 was 5.1%, and was therefore actually growing slower than both GDP at 7.5% (Figure 2.5) and GNI at 6.6%. Although spending on education increased annually on average by 5.52% between 1995 and 2005, for example, its relative share of GDP decreased from respectively 5% to 4.3% of GDP and from 5.7% to 5.1% of GNI over the same period.

Table 2.3. **Government expenditure by function as % of total government expenditure, GDP and GNI**

Ireland, 2005

	% of total government expenditure	% of GDP	% of GNI
Social protection	27.9	9.5	11.3
Health	21.9	7.5	8.9
Economic affairs	13.1	4.5	5.3
Education	12.7	4.3	5.1
General public services	10.8	3.7	4.4
Public order and safety	4.5	1.5	1.8
Housing and community amenities	4.3	1.5	1.7
Environment protection	1.6	0.6	0.7
Defence	1.6	0.5	0.7
Recreation; culture and religion	1.5	0.5	0.6

Source: OECD Statistics Database, OECD (2007), *Economic Outlook 82*, December.

Table 2.4. **Real average annual growth in public expenditures, by function**

Ireland, 1995-2005 (%)

Total government expenditure	5.09
Environment protection	10.34
Health	9.21
Recreation; culture and religion	9.09
Housing and community amenities	7.21
Public order and safety	5.79
Education	5.52
Economic affairs	5.38
Social protection	4.54
Defence	0.63
General public services	–0.41

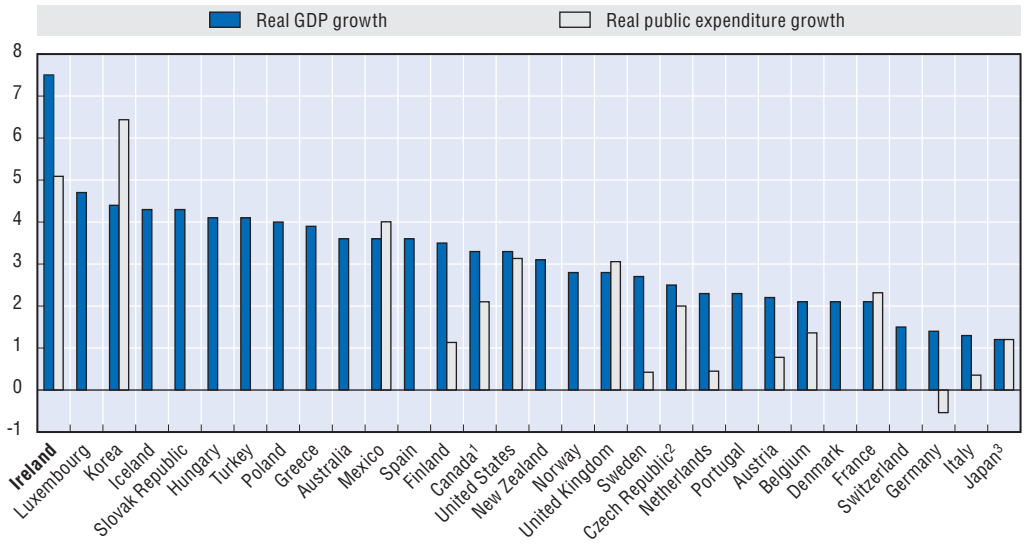
Source: OECD Statistics Database.

Demographic challenges – Impact of ageing and immigration on fiscal scenario

As noted in the OECD's 2006 publication, *Ageing and Employment Policies*, Ireland, like many OECD countries, is expected to incur a significant increase in age-related public

Figure 2.5. **GDP and public expenditure real average annual growth**

OECD, 1995-2005



1. 1998-2003.
2. 2002-2004.
3. 1996-2005.

Source: OECD Statistics Database.

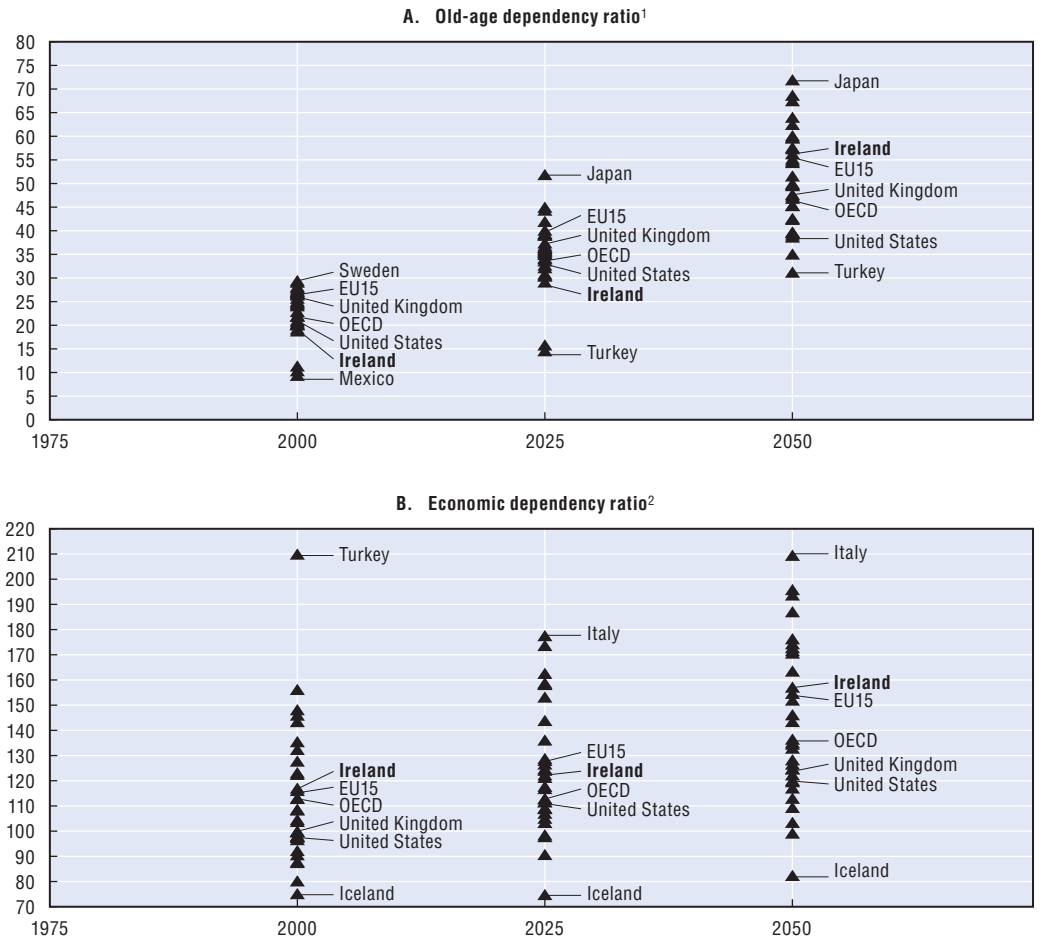
expenditures. This includes public pensions, health and long-term care services. Ireland will not face the demographic time-bomb, however, until somewhat later than other OECD countries, given that its population is currently relatively young. The proportion of the population aged 65 and over to the working-age population is expected to rise from 21% in 2005 to 29% in 2025 – one of the lowest proportions in the OECD area. This is partly the result of birth rates and rates of net immigration that are well above the OECD averages.

As in many OECD countries, a decline in fertility rates has been accompanied by an increase in life expectancy at birth. Since the early 1970s, the fertility rate has fallen from approximately four to below two. Over the same period, life expectancy at birth for both men and women has risen more than 6 years. These demographic trends are likely to translate into a significant increase in the old-age dependency ratio. Although this ratio is projected to change very little over the next two and a half decades, it could accelerate rapidly from 29% in 2025 to over 56% in 2050, which would be well above the OECD average of 47% (Figure 2.6). This means that in 2050, for every person over the age of 65, there will be fewer than two individuals of working age, compared to more than five in 2000.

Demand for social services, in particular the health care system, is likely to increase as the population ages. In 2003, public social expenditure of Ireland (15.9% of GDP) was below the OECD average (20.7% of GDP) because of its lower unemployment rate. In addition, since it has a younger population, its pension and healthcare costs were also lower. The remainder largely reflects benefit settings, and the relatively low replacement rates for most income support benefits. Between 2001 and 2005, gross expenditure on social services increased by more than 50%, in nominal terms.[2]

Figure 2.6. **Projected trends in dependency ratios**

OECD, 2000-2050



1. Ratio of the population aged 65 and over to the population aged 20-64.
2. Ration of inactive persons to those in the labour force. The labour force projections assume that participation rates by age and gender remain constant at their 2000 levels.

Source: OECD (2006), *Ageing and Employment Policies*.

Sustaining economic success

Although Ireland continues to be one of the OECD's best performers, it will become increasingly difficult to maintain such high rates of growth in the future for several reasons. Firstly, productivity growth is likely to fall from its current average rates because the rate of innovation in the global ICT and pharmaceutical industries is slowing, and economic activity is shifting from construction-oriented towards more export-oriented products and services. Secondly, further substantial increases in employment rates will be harder to achieve because demographic and social factors will not be as prevalent in the future. From 1995-2005, Ireland experienced significant population growth of 14.7%, second in the OECD only to Turkey (16.7%), and to Mexico (15.4%). While immigration, particularly from the newer European Member States, has contributed to this growth, the phenomenon was also aided by a rise in overseas Irish returning to Ireland. In 2006, 14.7% of the Irish population was foreign born,[3] compared with the OECD average of around 12%. In 2005, Ireland also had one of the youngest populations of OECD countries, with 89%

under 65 years. Only three other countries had a younger population: Korea (91%), Turkey (96%) and Mexico (97%).[4]

Further economic progress will require strong productivity growth. While this is a common challenge, Ireland also faces some issues that are less common. As the Irish economy comes to rely less on foreign companies and more on domestic businesses, it will be more difficult to maintain the high levels of productivity growth experienced in the last decade. The potential growth rate is likely to settle into the 4-5% range, although driving forces for participation – immigration, productivity, female participation, foreign and domestic investment, and house prices – are potentially so hard to predict that the outcome could be radically different from the forecast. In order to ensure sustained productivity gains and facilitate a sustainable growth rate in the period ahead, policy makers will need to take note of challenges in a number of areas and build in flexibility when formulating public policy.

Foster competition

Ireland's economic resilience reflects strong fundamentals including a relatively small public sector, sound fiscal policy, continued inward investment, a flexible labour market, moderate tax rates, wage moderation and particularly, a business-friendly regulatory environment[5] which favours competition. The latter is supported by a survey of business attitudes to regulation conducted by the Economic and Social Research Institute (ESRI) in 2006, which found that 55% of businesses felt that the level of regulation in Ireland was appropriate. There are, however, a number of sectors where competition continues to be hindered, where the interests of producers and suppliers take precedence over the interests of consumers and the wider economy.

In some inherently competitive sectors, such as retail distribution and professional services, competition is hampered by entry controls and licensing restrictions and by restrictions on business conduct or structure. Many network industries are considered as "natural monopoly" segments in which it is hard to create competition. In these industries, some efforts have been directed towards securing non-discriminatory third party access to the networks in order to open the potentially competitive segments to competition. A particular concern is the possibility for cross-subsidisation between monopoly areas and competitive activities, which requires a clear separation between the various activities. Moreover, there is an issue of incumbents' extensive market powers. As the delivery of public services moves towards more mixed models, the regulation of markets, *e.g.* the management of waste collection services at the local government level (see case study on Waste Management), will become an increasingly important skill for public servants to master.

Improve human capital

Raising the average educational attainment has played a large role in Ireland's economic performance. Today, over 80% of young people have an upper-secondary qualification compared with a third a generation earlier. By one estimate, this accounts for a third of the increase in per capita incomes since 1980. The foreign investment sector, in particular, is heavily dependent on having an adequate supply of skilled labour. For the future, however, there are several areas for concern.

The proportion of the population completing secondary education, *i.e.* completing all levels through to the Leaving Certificate is rising rapidly. The share of the population that has

attained at least upper secondary level education rises from below the OECD average for the 45-64 age group to above the OECD average for the 25-34 age group.[6] This has had a particularly beneficial effect on economic growth because it happened at a time when global demand for skilled labour rose significantly. However, while the rate is above the OECD average, it is still much lower than in the best performing countries. Although the performance of students of school leaving age in Ireland ranks among the best for reading (6th in 2006), the scores in mathematics and science are average (13th in Science in 2006, down from 9th in 2000). Continued effort is needed to ensure that schools have both the accountability and resources to meet the expectations of families and the needs of the economy.

In addition to this increased investment in human capital, rearranging priorities within public existing public expenditure may also be required. This policy could be undertaken without much additional public spending by shifting resources from higher education institutions where private financing would play a greater role, to pre-tertiary education, where the main focus should be on improving early schooling. A major challenge for the Public Service will be to ensure access to primary and secondary schools for a rapidly growing and more diverse population. This will require that its component parts, *i.e.* the Department of Education and Science, School Boards and Local Authorities, work together so as to anticipate the changing needs of individuals and communities (see case study on School Planning).

Encourage innovation

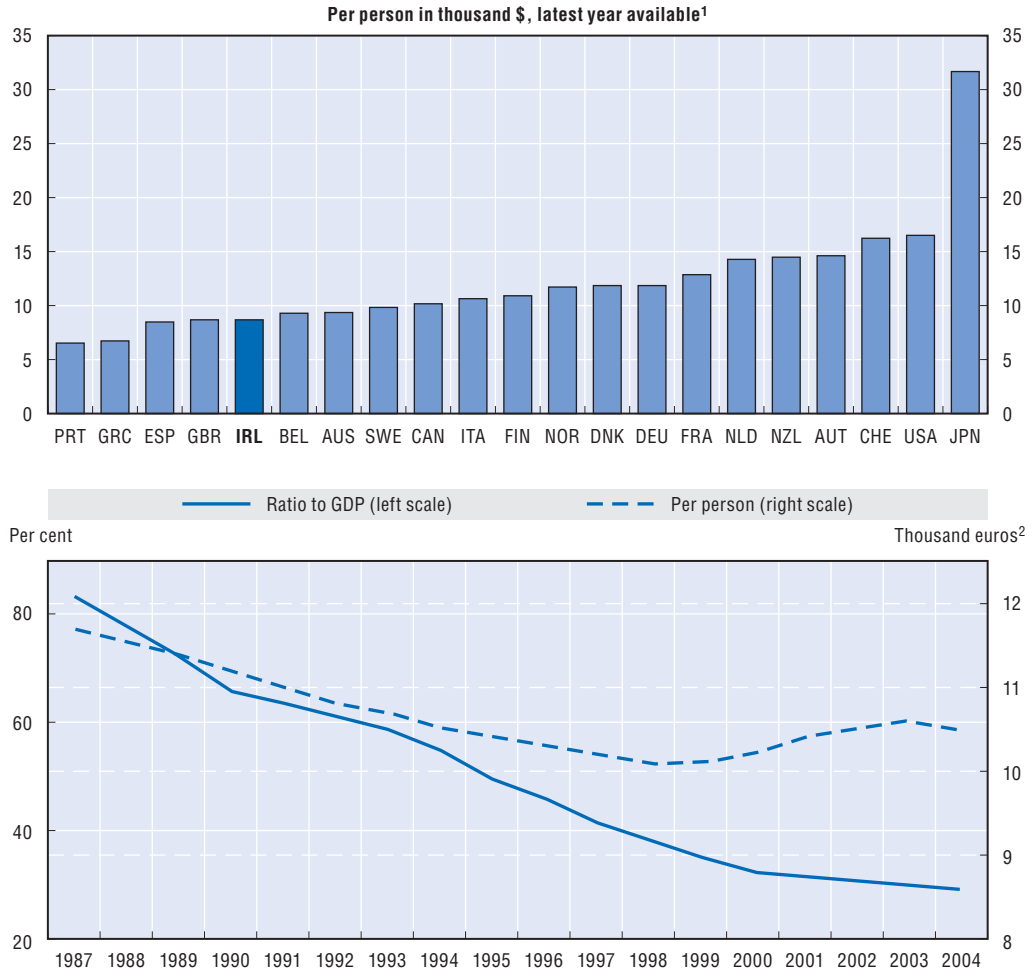
Innovation is an important driver of economic growth. The *Strategy for Science, Technology and Innovation 2006-2013* sets out the government's approach to increasing innovation in the economy. The strategy represents a holistic approach to the wide range of issues impacting on innovative capacity.

For the Public Sector, encouraging innovation is also a challenge for delivering value for money and for maintaining citizens' trust. The latest Social Partnership agreement, *Towards 2016*, sets out a plan for improving innovation in service delivery based on the NESC report, *The Developmental Welfare State*[7] – combining income, services and activation measures across the stages of the lifecycle in order to promote employment and social outcomes. Internationally, state agencies have often been created in an attempt to fuel innovation by increasing managerial flexibility, though the process of agencification seems to have been fuelled by a number of differing motivations in the Irish context (see case study on Managing Agencies).

Upgrade infrastructure

Ireland has one of the lowest stocks of public capital per head in the OECD (Figure 2.7), reflecting the fact that the country was among the poorest of industrialised economies until it experienced remarkable economic growth in the last one and a half decades. Rapid increases in population and economic activity have demanded significant and urgent improvement in infrastructure. However, since public investment was one of the main casualties in the fiscal consolidation that began in 1987, the infrastructure was unable to respond to economic expansion. By the turn of the millennium, bottlenecks were appearing in several domains such as roads, transport and electricity transmission. Ireland ranks fourth to last among OECD countries in terms of motorway per 1 000 m^2 of area (only Norway, Poland and Finland fare poorer, but mostly due to their large surface area).

Figure 2.7. **Stock of public capital**



1. At 1995 prices, using 2000 purchasing power parities. Data cover 2004 for Ireland, 2000 for other countries.
2. At 2003 prices.

Sources: OECD (2005), *Economic Outlook 78 Database* and Kelps, C. (2004) "New Estimates of Government Net Capital Stocks for 22 OECD Countries: 1960-2001", *IMF Working Paper*, No. 67, International Monetary Fund, Washington DC, April. OECD (2006), *Ireland Economic Survey*.

Such bottlenecks are costly, and may be restraining economic growth. Public transport systems have not kept pace with the growth in population and have largely followed, rather than preceded, growth areas, particularly in the Greater Dublin area. Such infrastructural deficits can also discourage foreign firms from investing in the country, or, in the case of the available transport infrastructure, will dictate where firms (domestic and foreign) will invest.

The *National Development Plan* (NDP) *2007-2013*[8] has provided substantial levels of investment to address infrastructural issues. This Plan is the largest and most ambitious investment programme ever proposed in Ireland and builds on the achievements of the previous NDP which ran from 2000-2006. Under the latest Plan, the government has allocated EUR 184 billion to fund numerous projects and initiatives throughout the country to address deficits in infrastructure and social services and to meet commitments set out in the *National Social Partnership Agreement* (*Towards 2016*): EUR 54.6 billion for economic

infrastructure; EUR 49.6 billion for social inclusion measures (children, people with disabilities, etc.); EUR 33.6 billion for social infrastructure (housing, health, justice, etc.); EUR 25.8 billion for human capital (schools, training, higher education, etc.) (see case study on School Planning); and EUR 20 billion for enterprise, science and innovation. The choices made here can affect other policy objectives, for example, improved childcare and healthcare facilities could make Ireland more attractive to skilled migrants with families.

Healthcare is one of the most important priorities for many users of Irish public services, but given a dispersed and mobile population, it is important that services such as acute hospitals are distributed so as to maximise efficiency and effectiveness. The Irish Public Service needs to mobilise data on user preferences and to communicate reform goals in order to plan hospital infrastructure in such a way that makes sense both to service providers and to recipients (see case study on Hospital Reconfiguration).

Notes

1. OECD (2007g).
2. OECD (2008). Total Government Expenditure, National Currency, Current Prices.
3. CSO (2007a).
4. OECD (2007a).
5. The World Economic Forum's (WEF), 2006-2007, *Global Competitiveness Report ranked Ireland 21 out of 125 in its Global Competitiveness Index*.
6. OECD (2007d), p. 37.
   Information from Eurostat for the period 1999 to 2006, indicates that in 2006, the rate of Irish persons aged 20-24 years attaining at least the equivalent of a Leaving Certificate (the exam taken on leaving second level school in Ireland) was 85.7.
7. National Economic and Social Council (2005), *The Developmental Welfare State*.
8. *Transforming Ireland – A Better Quality of Life for All*.

ISBN 978-92-64-04325-1
OECD Public Management Reviews : Ireland
Towards an Integrated Public Service
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Chapter 3

The Irish Public Service

"The public service changes and will change: in fact we have been impressed by the continuous process of adaptation which is taking place. The remedies we prescribe today may, in some respects, be outmoded in ten years' time. Behind all we recommend, therefore, we stress that the most important feature is the establishment of machinery for review which, if properly operated, will guide and facilitate the necessary changes in the years to come."

Devlin Report (1969)

Introduction

The Public Service plays an essential role in policy making and implementation. It provides evidence and impartial analysis to the government so that it can make informed policy decisions. And it ensures the effective and timely implementation and delivery of those policy decisions to the public. Ireland has taken steps to modernise the existing Public Service system in order to improve performance. As the excerpt from the 1969 *Devlin Report* on public management shows, efforts to modernise are not new. In a fast changing social and economic environment, Ireland must constantly renew its Public Service in order to keep it relevant. This requires a reform agenda that matches its political culture and preserves the best elements of the Public Service, while providing flexibility to meet ever-changing needs. This chapter provides background information and an overview of the Irish Public Service and its evolution. These issues will also be explored in more depth in the chapters on Capacity, Performance, a Citizen-centred approach, and Governance.

Overview of the Irish Public Service

Ireland is a parliamentary representative democratic republic. The Uachtarán (President) is the head of state, but does not have an executive or policy role. The Oireachtas (the bicameral national parliament) consists of the Uachtarán and two houses: Dáil Éireann (House of Representatives) and Seanad Éireann (Senate). Under the Constitution, the executive power of the state is exercised by the government, which is headed by the Taoiseach (Prime Minister), who is appointed by the Uachtarán after being elected by the Dáil Éireann, and at least six, but not more than fourteen, Ministers. At present, there are fourteen Ministers. They too are appointed by the President after they have been chosen by the Taoiseach and approved by Dáil Éireann. Local authorities are the creation of the government and, while members of local councils are elected by the people, local authorities come under the Minister responsible for the Department of the Environment, Heritage and Local Government.

Machinery of government

The broad public sector in Ireland consists of separate elements within the Civil Service, as well as different groups of employees in what is called the "wider Public Service". The Civil Service comprises the permanent staff of the 15 government departments and certain specified "core" agencies or offices. These Civil Service agencies include: The Office of the Revenue Commissioners; the Central Statistics Office; the Office of the Comptroller and Auditor General; the Courts Service of Ireland; the Director of Public Prosecutions; the Office of the Attorney General; the Office of Public Works; the Office of the Houses of the Oireachtas (Parliament); the Office of the Information Commissioner; the Office of the President of Ireland; and the Office of the Ombudsman. All civil servants are expected to maintain impartiality.

The wider Public Service generally consists of specialised staff such as teachers, doctors, police, armed forces, or those staff within agencies who, while not formally part of a department, provide services on behalf of the government. Their remit can range from

Table 3.1. **15 government departments of the Irish Public Service**

Department of the Taoiseach (Prime Minister)	Department of Finance
Department of Agriculture, Fisheries and Food	Department of Education and Science
Department of Enterprise, Trade and Employment	Department of Foreign Affairs
Department of Social and Family Affairs	Department of Arts, Sport and Tourism
Department of Community, Rural and Gaeltacht Affairs	Department of Health and Children
Department of Justice, Equality and Law Reform	Department of Defence
Department of Communications, Energy and Natural Resources	Department of Transport
Department of the Environment, Heritage and Local Government	

Source: Department of Taoiseach website.

regulating sectors of the economy to defending and policing the nation. The main sub-sectors within the broader Public Service include:

- health;
- education (Primary, Secondary, Third Level, Vocational Education Committees and Institutes of Technology);
- commercial and Non-Commercial State Sponsored Bodies (*e.g.*, the Food Safety Authority, Enterprise Ireland, the Health and Safety Authority, Forfás) and Commercial Semi-State Bodies (*e.g.* CIE, Bord na Móna, ESB);
- local Authorities/Regional Bodies;
- garda Síochána (Police Force); and
- defence Forces (Army and Naval Service).

Throughout this report, references to the Irish Public Service should be construed as a reference to both the Civil Service staff and to the wider staff base in the Public Service. Where references are solely to staff within the Civil Service or staff within sectors of the Public Service (for example, staff in the Health Sector or staff in Local Authorities), they will be specified as such. While staff working in commercial state-sponsored agencies (such as An Post) are also classed as public servants, for the purposes of this Review, they are excluded from most discussion and analysis.

The government, through the Civil and Public Services, is a significant employer. Latest figures indicate that from a total labour force of slightly over 2.2 million,[1] a total of 363 900 people, or 16% are employed in the Irish Public Service. Of these, approximately 38 400, or 1.7% of the total labour force are employed as civil servants. By far the largest cohort of Public Service employees – 112 800 or 31% of all Public Service employees, work in the Health area.

The public sector workforce,[2] excluding commercial state-sponsored bodies, is relatively low compared with other OECD countries, and significantly less than the level of public employment in Norway, Sweden, France, Finland and Belgium (Figure 3.1).

The number of these employees has increased substantially by almost 30% since 1995, primarily in the areas of health and education. Health has increased by 73%, while education has increased by 42% on their 1995 levels (Table 3.2). When figures for health and education are excluded, the overall increase in the number of public sector employees has been around +5%, which is very small compared with the corresponding increase in the overall labour force (a 45% increase from 1995 to 2006). Indeed, as a percentage of the labour force, the total number of all public sector employees has decreased.

Table 3.2. **Employment in the Irish Public Service**

Thousands, 1995 to September 2007

	1995	2007	% increase
Health	65.2	112.8	73
Education	65.9	93.5	41.9
Semi-State Companies	63	53	–15.9
Regional Bodies[1]	30.1	40.1	33.2
Civil Service	31.5	38.4	21.9
An Garda Síochána	10.7	13.4	25.2
Defence	14	11.2	–20
Others in the Public Sector	0.5	1.6	220
Public Sector (including Health)	**280.9**	**364**	**29.6**

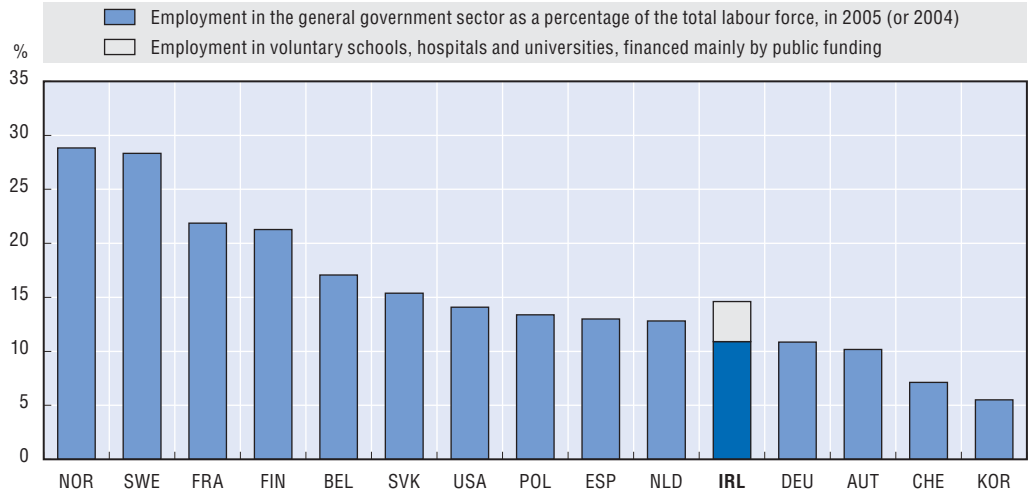
Note: Figures shown for Civil Service and Health employees are based on whole time equivalent numbers. Figures for other sectors, in the main, are based on actual numbers employed.

1. This includes Corporations, County Councils, Urban District Councils and Town Commissioners. Included in the residual category are Regional Fisheries and Tourism Organisations, together with Traffic Wardens. Harbour Authorities are also assigned to this category including those which have become State commercial companies.

Source: Central Statistics Office website, Database Direct, "Employment and Earnings in Public Sector by Type of Public Sector Employment, Quarter and Statistic", data extracted 12 February 2008.

Figure 3.1. **Employment in the general government sector, including voluntary schools, hospitals and universities for Ireland**

Percentage of total labour force, 2005 (or 2004)



Note: Data are in number of employees (and not in full time equivalents) except for Austria, the Netherlands, Sweden, and Switzerland (those countries would have higher numbers in number of employees).

Source: CEPD survey, *Labour Force Survey*, OECD.

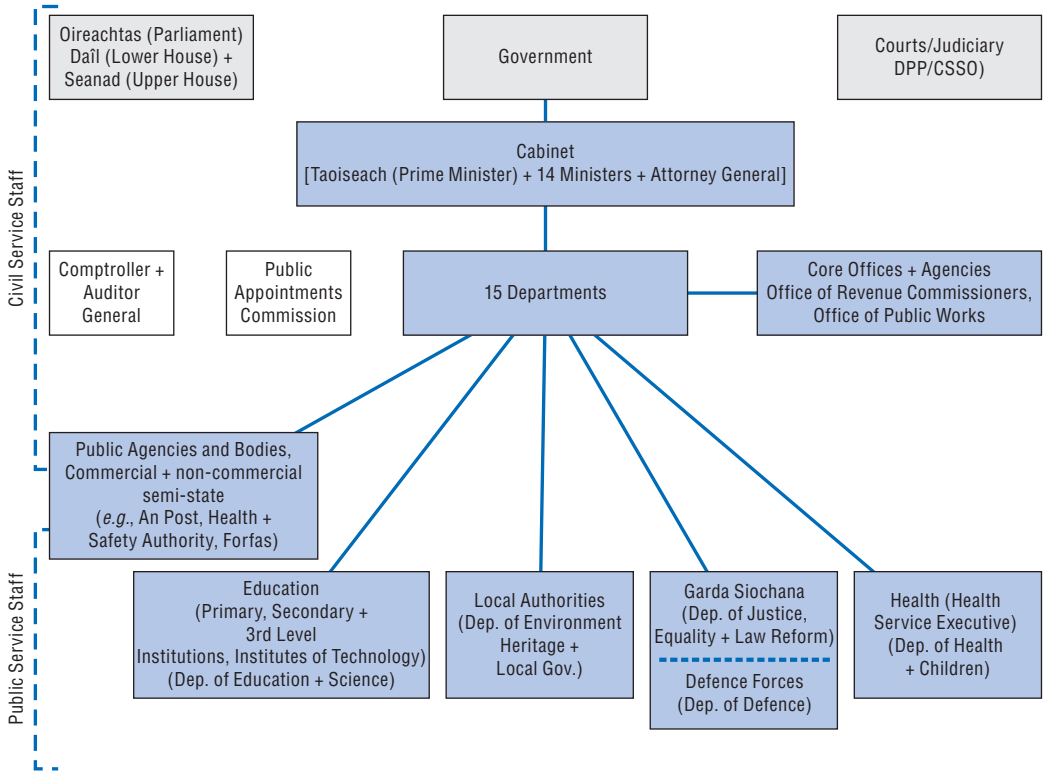
The proportion of employees involved in administrative tasks (*e.g.* public administration, defence – excluding armed forces – and compulsory social security), at 2.6% of the population, remains in the lower tier of OECD countries. While it has increased significantly in the past ten years (by around 50%), most of this increase is, once again, due to increases in administrative employment in functional sectors like health, or in the regional bodies, rather than in the core Civil Service (*i.e.* administrative civil servants) which makes up a small percentage of overall employment within the Public Service. From 1995-2005 the Civil Service grew by 10%, while the overall population grew by almost 15%.

Internal management structures within the Civil and the Public Service follow similar lines: while the grading structures have different names, the essential hierarchy is the same. Departments are headed by a Secretary-General, while public sector bodies are headed by CEOs, County Managers or Directors. These are, in turn, supported by a small cadre of senior management: Assistant Secretaries in the Civil Service, Executive/National Directors, and Assistant Managers in the Public Service. Thereafter, the hierarchy follows a pyramid structure, with increasing numbers of officials at junior and clerical or support levels. Both the Civil and the Public service operate a career-based system.[3] Differences can exist, however, in relation to the entry level for staff. These issues are explored in further detail in the chapter on Capacity.

All public servants are expected to be impartial, and to act within the law. Staff are prohibited from seeking nomination or election to European Parliament or Oireachtas (Irish Parliament). All except the most junior grade levels are prohibited from seeking election to local authorities or to affiliate with political parties. Civil servants above the general clerical levels are also restricted from taking part in any public debate outside of their normal duties, which includes private contributions to newspapers, radio, or television. Only designated civil servants within departments or offices, usually through a press office, are permitted to have direct contact with the press. All civil servants, including those on career break or retirement are subject to the *Official Secrets Act* 1963.

In terms of the overall structure of the Public Service, Figure 3.2 illustrates how the Civil and Public Service interconnect with government, and relate to each other.

Figure 3.2. **Structure of the Irish Public Service**



The Department of the Taoiseach (Prime Minister) and the Department of Finance are referred to as the "Centre" and many of the initiatives taken in relation to modernisation, reform and change are driven from these departments. There is significant variation in how governance structures operate between the Centre and other departments, and between departments and bodies under their aegis. The level of control by and devolution from the Centre also varies. This subject is explored in more depth in subsequent chapters, which also examine how the structures impact on performance, capacity, citizen-focus and governance within the Public Service.

State agencies

All of the state agencies initiated by the government are established under the remit of one of the existing 15 government departments and are required to submit regular reports on their activities to the relevant Minister. For example, the Garda Síochána (police) is under the remit of the Department of Justice, Equality and Law Reform. Under the Irish system, negotiations regarding funding, resource allocation and staffing take place via the relevant parent department. The state agency itself does not directly negotiate with the Department of Finance. When such bodies are initially established there is a tendency to "second" staff from the parent body or from other government departments. These staff work in the agency on a short term basis, pending the recruitment of Public Service staff.

As will be seen in the case study on Managing Agencies, there are varying reasons as to why so many Public Service agencies have been established in Ireland. In some instances, bodies are established to meet a clear need in relation to service delivery. Previous reform initiatives in Ireland have also called for greater separation of policy and service delivery functions through the establishment of executive agencies. This frees up Ministers and civil servants to focus on overarching strategic policy issues. In the absence of clear guidelines or consistent management, however, the proliferation of the agency structure in Ireland, has posed significant challenges in relation to governance, capacity and performance within agencies.

Local government

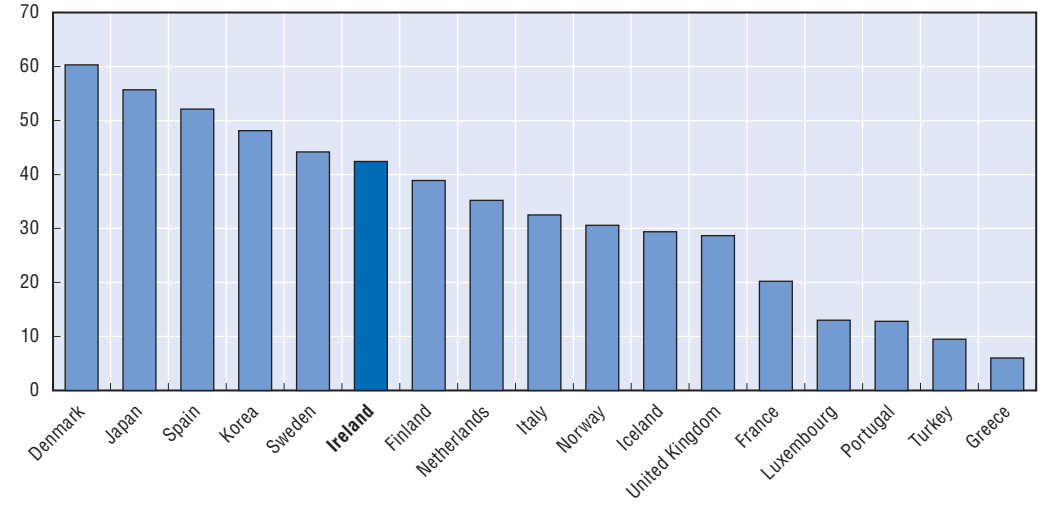
Ireland has three sub-national government tiers, one at the regional level and two at the local level. At the regional level there are eight regional authorities and two regional assemblies. The first local government tier comprises county councils and city councils. In total, there are 34 of these local authorities: five city councils and 29 county councils. The second local government tier consists of five borough councils and town councils. These areas do not necessarily follow functional boundaries. The metropolitan area of Dublin is an exception: Territory there is divided among the city and three county councils. The councils of the local authorities are made up of elected members. The regional authorities and regional assemblies, by contrast, have not been elected by a separate regional election, but are composed of councillors nominated by the county and city councils in their region.

Local authorities in Ireland operate under the aegis of the Department of the Environment, Heritage and Local Government. Each local authority is responsible for the delivery of certain services, such as environmental protection, waste management, housing, water supply, sewerage and certain aspects of road transportation. All have an elected council. A large percentage of local authority expenditure, both capital and current, is provided by central government and in line with government policy on public sector employment, there is an effective overall staffing limit for the local authority sector.

Compared with many other OECD countries, a relatively large part of Ireland's government expenditure is spent at the local level (Figure 3.3). The sub-national expenditure share in Ireland was 44% in 2005. This share is comparable to Scandinavian countries, Japan, Korea, Spain and the Netherlands. This level has been reached over the last decade when sub-national expenditure in Ireland grew at a very rapid pace. Total current expenditure increased by 115% between the period 1996-2004 (Indecon, 2005). The increase in sub-national expenditures in Ireland also stands out from an international perspective: The share of sub-national expenditure grew by 11% points over 1995-2004, the second fastest rate of growth within the OECD in this respect. Only Spain has witnessed a more rapid growth over the last decade.

Figure 3.3. **Sub-national expenditures as share of total government expenditures in unitary OECD countries**

Percentage, 2004



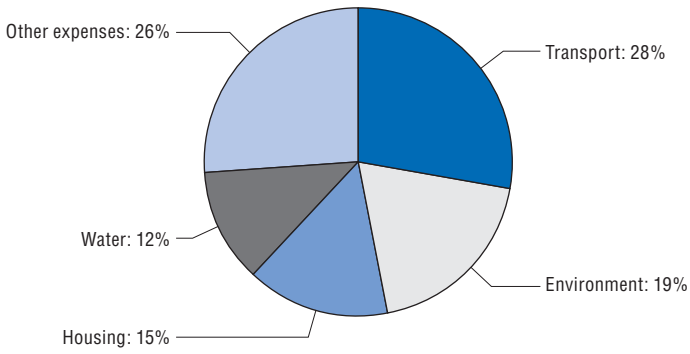
Source: OECD National Account Database.

All key local expenditure categories increased over the last decade, most significantly in environmental protection (an increase of 178% over 1996-2004), road transportation and safety (+119%) and water supply and sewerage (+120%). Reasons for this strong growth of local expenditures include the demands of a fast growing economy, a rising population, and a large-scale infrastructure investment plan. As of 2004, 28% of the expenditures of local authorities were allocated to road transportation and 19% to environment (Figure 3.4). In comparison with OECD countries that spend similar shares of government expenditures sub-nationally, local authorities in Ireland provide relatively few education or health services. It is expected that sub-national expenditure will rise further in the future. This will require buoyant revenue sources for local government.

While substantial work has been undertaken by local authorities to improve co-ordination and service delivery, there is significant variation in how services are delivered across different local authorities. For example, in some local authority areas, the elderly, or those in receipt of certain social welfare payments, are exempt from paying waste collection charges, while in other areas, such waivers do not exist. These challenges are examined in further detail in subsequent chapters, and in the case study on Waste Management.

Figure 3.4. **Expenditure categories of sub-national governments**

Percentage, 2004



Source: Indecon, 2005.

The role of local government

While a high percentage of public expenditure is spent at the local level, local government in Ireland has limited local autonomy which, in turn, strengthens the input-focus of national policies. There are extensive reporting relationships between central government and local authorities, for example, on the spending of government grants. For the grant for non-national roads, local authorities are required to regularly provide various outputs to the central government, such as the number of kilometres of road provided, improved and maintained under various grant categories. For the grants for water services infrastructure, standard templates are used to report on the financial and physical progress of schemes; meetings are held with local authorities every four months to report on progress and discuss developments. This is a characteristic of local authorities: They are most likely of all sub-national bodies to report on work completed; and are more likely than national bodies to produce reports on planned investment.[4]

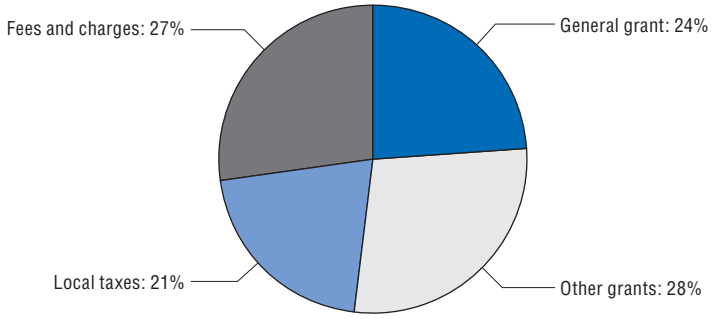
The relationship between central and local government reflects the view of separating policy and implementation responsibilities and is greatly shaped by the funding structure for local government. A recent study found that three-quarters of the respondents coming from local authorities considered that the primary role of the local authority is direct implementation of policy.[5] It is therefore important to review this relationship before looking at what the potential impacts are on performance and strategic capacity.

Sub-national revenues

The most important revenue sources for local authorities are grants and local tax revenues. More than 50% of the average budget of county councils comes from grants, both the general grant and other grants and subsidies. On average, 21% of the budget of county councils comes from local tax revenues (Figure 3.5). A relatively large part of the county council budgets comes from fees for goods and services, such as land development rights. Revenue sources vary greatly by local authority. Cities and towns rely more on local tax revenues and relatively less on government grants: The commercial rates received in 2005 provided around 35% of city revenues and 37% of the revenues of town councils.

Some local authorities with a commercial property base have the ability to raise substantial amounts of revenue locally through commercial rates (*i.e.* local tax). Others, however, are dependent on the allocation given to them on an annual basis. There is no facility for other local taxes, such as income tax or domestic property tax, other than

Figure 3.5. **Revenue sources of county councils in Ireland**



Source: Department of Environment, Heritage and Local Government.

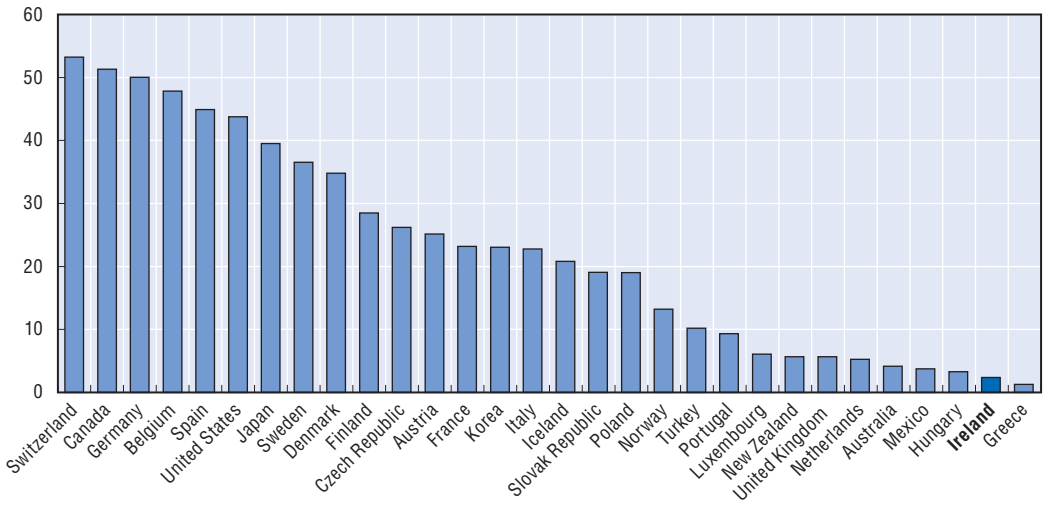
property taxes on commercial property. All local authorities raise revenues from services and goods provided such as commercial and domestic waste charges, commercial water charges, commercial development charges and planning fees, etc. The general public is not charged for water consumption, although water charges are paid to local authorities by business and industry.

The largest grant from central government to local authorities is the general purpose grant. This grant forms part of the budget of the Department of Environment, Heritage and Local Government and is partly funded by motor tax revenue. In addition to the general purpose grant, there are several other government grants available to local authorities. For example, the Department of Transport has seveal grant schemes for expenditure on non-national roads, some of them requiring programmes to be submitted by local governments. Other government grants to local governments are targeted towards water services infrastructure and housing.

From an international perspective, there is little local fiscal autonomy in Ireland (Figure 3.6). The share of sub-national revenues (as part of total government revenues) is

Figure 3.6. **Sub-national tax revenues as share of total tax revenues in OECD countries**

Percentage, 2004



Source: OECD Revenue Statistics Database.

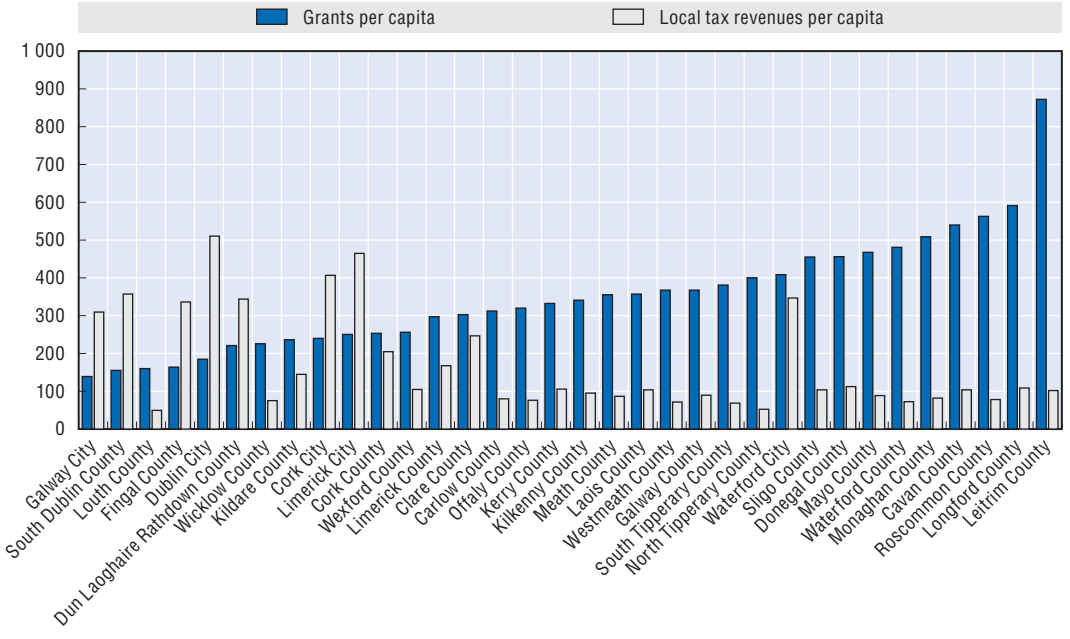
very small: There is a fiscal gap that the central government fills with grants to local governments. Among unitary countries in the OECD, only Greece has a lower share. The spectacular growth in sub-national expenditure share over the last decade was not translated into more local resources: The share decreased even slightly between 1995 and 2004. Ireland is unique in the sense that no local taxes are levied on citizens; the local taxes that exist are the so-called commercial rates, paid by companies registered within the boundaries of the local authority. These rates are capped: The room for local governments to manoeuvre is very small.

Several reports over the last two decades have recommended an extension of local tax autonomy, but none of these recommendations have been implemented. Various reports in Ireland have been critical about the lack of local fiscal autonomy: ranging from a report of the National Economic and Social Council in 1985,[6] the Commission on Taxation in 1985,[7] KPMG in 1996[8] and Indecon in 2005[9]. All these reports recommended more room for local taxation, especially the introduction of a local property tax as a feasible option for raising more revenue. Irish governments have not implemented these proposals. Even very cautious recommendations, such as the extension of water service fees, have not been carried through.

As most companies are located in cities, city local authorities in Ireland have by far the largest local tax base. Not surprisingly, Dublin has the highest local tax revenues per capita: slightly more than EUR 500 per capita, which is some five times larger than those of most of the local authorities in Ireland. Other cities, such as Limerick and Cork come close, but most rural local authorities fall far behind, in most cases not even exceeding EUR 100 per capita (Figure 3.7).

Figure 3.7. **Grants and local tax revenues per capita in county and city councils in Ireland**

Euros, 2006

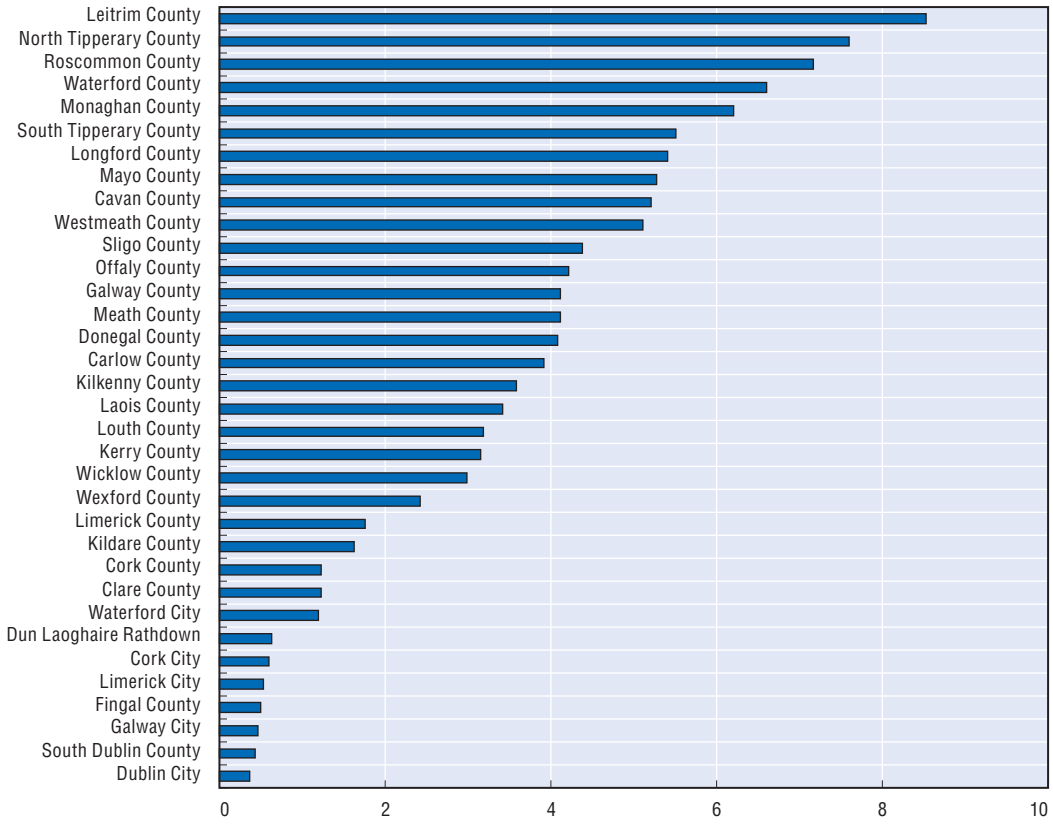


Source: OECD Computation based on data available at *www.environmnent.ie*.

Consequently, rural areas are particularly dependent on central government grants. Some of these areas receive seven to eight times more grants than the local tax revenues that they can raise. The dependency ratio, expressing the ratio of central government grants and local tax revenues, is very high for most local authorities in Ireland (Figure 3.8). Only the city councils and a few county councils manage to have more (or as much) local tax revenues than central government grants.

Figure 3.8. **Dependency ratios (grants/local taxes) in county and city councils in Ireland**

2006

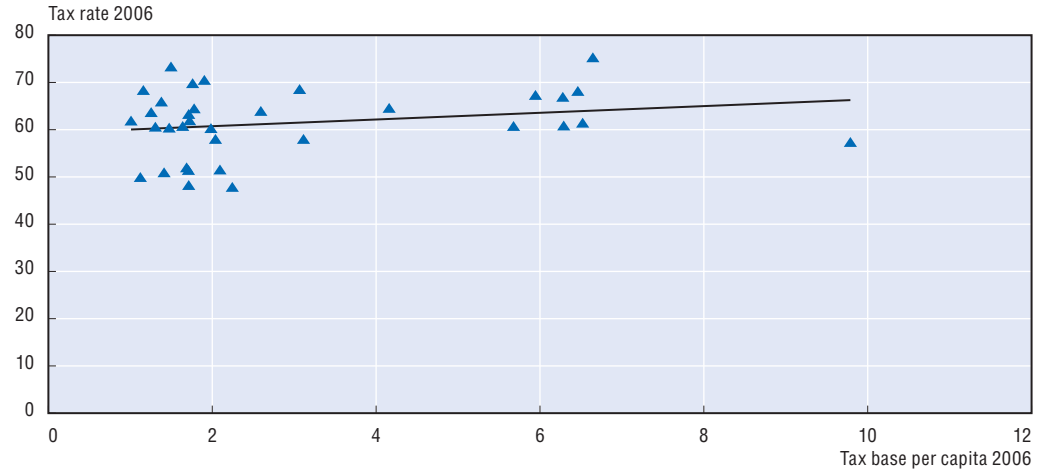


Source: OECD computation based on data available on *www.environmnent.ie*.

Tax rates are not lower in local authorities with larger tax bases. One could have expected that the local authorities in the less urbanised areas are trying to make up their lower tax base with higher tax rates. This, however, does not seem the case: local authorities with a higher tax base even impose a slightly higher tax rate than those with a small tax base (Figure 3.9). One explanation might be that the general purpose grant compensates local authorities for a smaller tax base. This will be dealt with below.

In theory, the general purpose grant is based on objective allocation criteria, but in practice is mostly based on baseline projections following trends in the past. The mechanism for determining general grants to local authorities is the Needs and Resources model. Each year every local authority provides a return showing expenditure on each service provided, income accruing from each service, and details of infrastructure maintained. On the basis of these returns and standard unit costing and income, the model

Figure 3.9. **Relation between tax base per capita and tax rate**
2006



Source: OECD computation based on data available on *www.environment.ie*.

calculates an expenditure/income gap for each authority on the basis of the cost of providing an acceptable level of services, and the income that should come from commercial rates and local charges. The funding available for general purpose grants is, in the first instance, allocated between local authorities in proportion to their expenditure/income gaps. These initial allocations are then adjusted by ensuring that each authority receives a certain baseline allocation. This baseline is usually set at the level of grant that it received in the previous year. This means, in practice, that while income from local sources is not included with distribution of resources, general purpose grants from the Local Government Fund tend to favour authorities with poor local income bases. Despite that, there is a negative relationship between general grant and tax base: local authorities with smaller tax bases are getting relatively more of the general grant (Figure 3.10). There is also a negative relation between the increase in the general grant and the increase in the local tax base: local authorities that had a lower increase of the tax base over 1997-2006 generally received a higher general grant per capita.

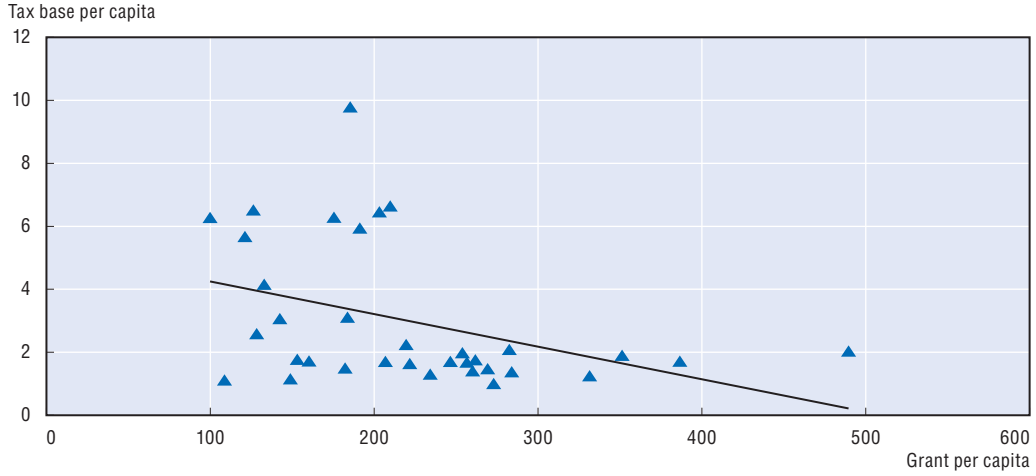
Rural local authorities benefit most from the general grant scheme: Their relative spending power improves thanks to the general grant. At the same time, the relative spending advantage of the cities in Ireland is decreased by the general grant, resulting in a smaller gap in total resources among county and city councils (Figure 3.11). The general grant scheme in Ireland has thus an equalising effect, but nevertheless, considerable differences in spending power remain. Despite equalisation, the spending power of Louth County Council is only 41% of the average local authority; around four and a half times less than Dublin city. Louth County Council is not an exception: 10 of the 34 local authorities have less than 75% of the average spending power.

Relations with Social Partners

Public Service pay is negotiated under the Partnership agreements with a whole-of-government perspective. This means that standard percentage increases are centrally agreed upon for all public servants in tandem with the private sector – generally for three-year periods – and are thereafter implemented on a phased basis.

Figure 3.10. **Relation between general grant per capita and tax base per capita**

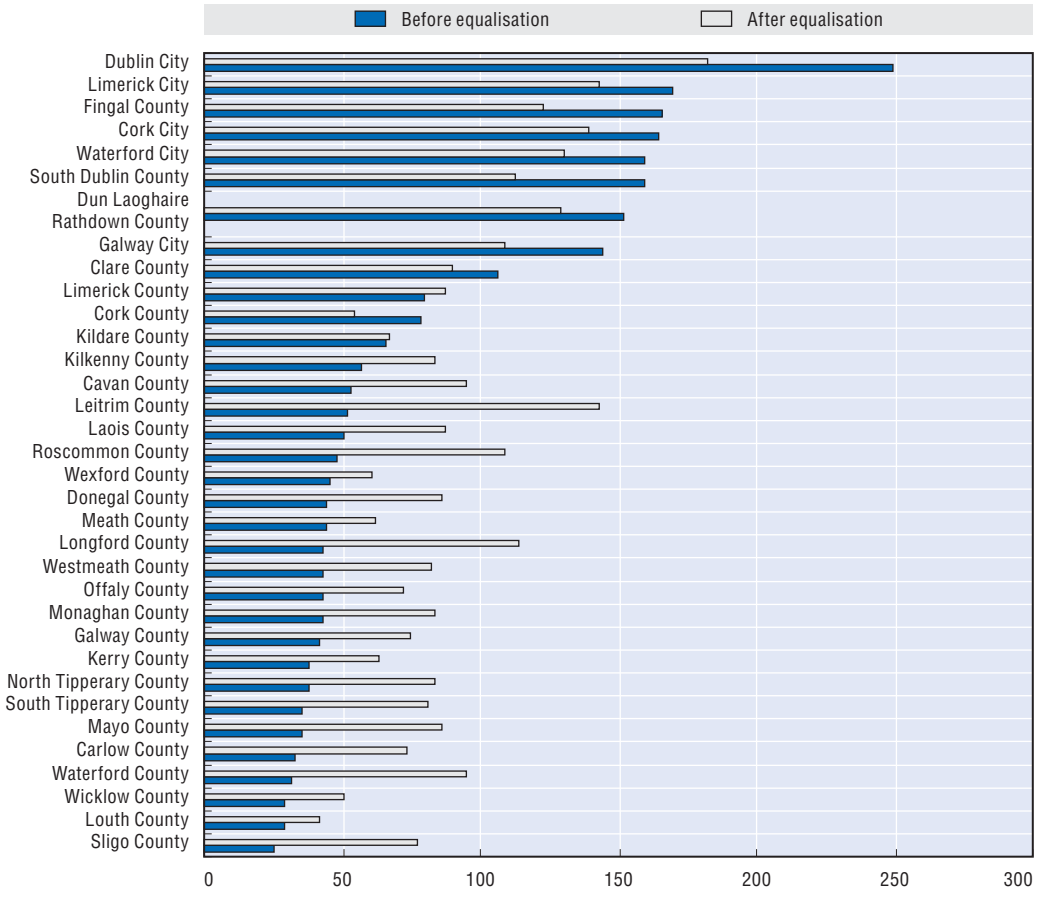
Euros, 2006



Source: OECD computation based on data available on *www.environmnent.ie*.

Figure 3.11. **Financial situation 2006 before and after equalisation**

Average index = 100



Source: OECD computation based on data available on *www.environment.ie*.

In addition to negotiations that take place under the national Social Partnership agreements, public servants also have had recourse to a "benchmarking" process to argue for additional pay rises. Introduced in December 2000, under the terms of the then-Social Partnership Agreement *Programme for Prosperity and Fairness*, a Public Service Benchmarking Body was established to review the pay of Public Service workers in comparison to the wages of similar positions in the private sector. A first report, issued in 2002, recommended raising Public Service salaries on average by 8.9%. This report was criticised for a lack of transparency regarding the process it followed, and for not taking sufficient account of the value of Public Service pensions when recommending awards. In contrast, the most recent benchmarking report, which was issued in December 2007, published more details regarding the process followed, and proposed zero increases for the vast majority of public servants: out of 109 grades examined, an increase was recommended for 15. In addition, it placed a value on Public Service pensions relative to comparable private sector employments, estimating that this amounted to some 12%. Essentially, the Body concluded that public sector salaries had kept pace with the private sector since the first Report.

Since 1996, all Partnership agreements have made the payment of the agreed salary increases for public employees at the sector, organisation and grade level dependent upon co-operation with flexibility and ongoing change, *i.e.* satisfactory implementation of the modernisation agenda set out in the Agreement, maintenance of stable industrial relations, and the absence of industrial action with respect to any matters covered by the Agreement.[10] This condition also extends to any increases proposed by the Public Service Benchmarking Body. In order to examine and report on co-operation with change and modernisation, Performance Verification Groups (PVGs) have been established. These have independent chairs and equal numbers of management, union and independent members who make recommendations as to whether or not pay increases should be approved primarily on an assessment of progress reports submitted by participating organisations. To date, this has been used as a potent instrument across all sectors to ensure the co-operation of Public Service unions with change and modernisation objectives, and to sort out industrial disputes. In a number of sectors, groups of employees have had pay increases under the Partnership Agreements withheld for failure to co-operate with the modernisation and change agenda.

As with most other public servants, the most senior public servants receive standard pay increases under the Social Partnership agreements. They are not covered by benchmarking, but their pay is periodically reviewed by the Review Body on Higher Remuneration in the Public Sector. This is a standing body established to advise the government on the general levels of appropriate remuneration for certain top level Public Service posts. The groups covered by the Review Body include:

- Members of the government, Ministers of State, the Attorney General, the Chairman and Deputy Chairman of Dáil Éireann and Seanad Éireann, and the Leader of Seanad Éireann.
- The Judiciary, The Director of Public Prosecutions, Deputy Director and Chief Prosecution Solicitor.
- Civil servants outside the scope of the Civil Service conciliation and arbitration scheme.
- Higher management grades in the local authorities and the Health Service Executive that are not covered by the Public Service Benchmarking Body process, including the chief executives of non-commercial state-sponsored bodies and County Registrars.

- The ranks of: Commissioner, Deputy Commissioner and Assistant Commissioner in the Garda Síochána; Chief of Staff (Lieutenant-General), Major-General and Brigadier-General/ Commodore in the Defence Forces.
- The Comptroller and Auditor General.
- Hospital Consultants, Directors of Public Health, Specialists in Public Health, Specialist Orthodontists, Prison Doctors.
- Vice chairman and ordinary board members, An Bord Pleanála.
- Members of the Commission for Energy Regulation; Commission for Aviation Regulation; Commission for Communications Regulation; Garda Síochána Ombudsman Commission.
- The following posts in third level educational institutions:
  - Heads, Registrars, Secretaries and Bursars of universities.
  - University Professors.
  - Directors of Institutes of Technology.
  - President and Directors of Dublin Institute of Technology.
  - Heads of Colleges of Education and the National College of Art and Design.

Nationally, Social Partnership has also led to a culture whereby consultations on significant legislative or policy changes will, as a matter of course, include consultation with the Social Partners. At a lower level there is also a growing awareness of the need to ensure that the views of business, employees/trade unions/citizens, and vulnerable groups, are taken into account when examining the implications of proposed policy changes. The *Guidelines on Consultation for Public Sector Bodies*[11] have assisted in raising awareness of the need to consult with all potential stakeholders. Such an approach is also in keeping with EU efforts set out in the Lisbon Agenda, which ensures that business, social and environmental/sustainable development issues are appropriately taken into account in policy formulation. These issues are developed further in the chapter on Governance. The introduction of regulatory impact analysis (RIA), while aimed at enhancing the evidence base upon which government makes decisions, also serves to prompt the quantification of impacts through wide stakeholder consultation.

Public Service reform context and history

Historical context

The creation and evolution of the Irish Public Service has taken place within a specific historical context. It is useful to outline this context, by way of explaining some of the structures and objectives which have carried through to modern times.[12]

As part of the arrangements agreed upon in the Anglo-Irish Treaty of December 1921, civil servants employed by the outgoing British administration working in Dublin offices were given the option to transfer and work for the new Irish Free State Government. According to the *Report of Public Service Organisation Review Group* (also known as the *Devlin Report*), when the transfer of Civil Service functions to the Irish Free State came into general effect on 1 April 1922, some 98.9 % of civil servants who had joined under the former British regime chose to transfer. Essentially, this meant that the newly formed Irish Free State (IFS) maintained the status quo in retaining the existing Civil Service structures and staff.

The Civil Service that was inherited by the Irish Free State had itself been subjected to a number of reforms in the period between 1853 and 1900, subsequent to the *Northcote-Trevalyan Report* of 1853. That Report transformed the British Civil Service from one of patronage to one where appointments were made through open competition. This introduced a clear grading structure and where appointees were expected to be politically neutral.

The new Irish government took early action to lay down the legislative basis of the new administration and the Civil Service through two Acts – the *Civil Service Regulation Act* 1923 (later replaced by the *Civil Service Regulation Act* 1924), and the *Ministers and Secretaries Act* 1924. *The Civil Service Regulation Act* 1923 (subsequently replaced by the *Civil Service Commissioners Act*, 1956) established the Civil Service Commission (now known as the Commission for Public Service Appointments) to look after the appointment process of civil servants. In essence, this was to establish similar procedures that had operated under the British system. They also ensured that the on-going non-political and independent nature of all civil (and later public) servants was employed in Ireland. The *Civil Service Regulation Act* 1923 was repealed by the *Civil Service Regulation Act* 1956 and this remains the primary statutory code by which civil servants are employed.[13] This sets out the provisions under which the Civil Service is regulated, controlled and managed.

The new Irish Free State took an early interest in ensuring that the Public Service was operating appropriately. In 1932, the Commission of Inquiry into the Civil Service (the Brennan Commission) was established to examine the workings of the Civil Service. This reaffirmed the model and principles on which the administration operated. They found no evidence "*from business circles or from any other section of the general community that they have experienced any practical need for the reorganisation of the Civil Service*".[14]

Devlin Report

The changes in the activities of government throughout the 1950s were accompanied by moves to review the workings of the Irish Public Service so that it was best placed to meet the needs of the changing economy.[15] The Public Services Organisation Review Group undertook a wide-ranging review of the Irish Public Service between 1964 and 1969. Its subsequent report, known colloquially as the *Devlin Report*, included wide-ranging recommendations on how best to improve the structures, largely within the Civil Service, so as to meet the needs of a changing population. Some of its recommendations for structural improvements anticipated changes that would be made once Ireland joined the EEC (such as ending the marriage bar, whereby female staff had to leave the Civil Service on marriage). Other changes were aimed at improving service delivery for the public and restructuring so that ministers and senior civil servants could focus on policy formulation over basic service delivery.

One of the *Devlin Report*'s key recommendations was that departments should separate their policy and service delivery functions through the creation of an "Aireacht", a central core within the department grouped around the Minister that would be responsible for policy formulation, control and the general direction of the department. Wider satellite bodies or Executive Offices would be responsible for the execution of policy or the delivery of services. The *Devlin Report* envisaged that within the Aireacht, one of the department Assistant Secretaries would have responsibility for monitoring and reporting on the activities of these Executive offices (and that these offices would be required to report, in turn, to this official). This meant that senior management and the Minister would be aware

of what was happening at the executive/service delivery level. The report argued that by freeing up the central core, Ministers and senior civil servants could focus attention on strategic policy formulation and planning, rather than becoming embroiled in day-to-day activities.

The *Devlin Report* noted that a number of positive changes had already been made by central departments to raise standards of management in the wider Public Service. It also noted that within the state bodies, a number were facing challenges adapting to change. This situation was not helped by central departments retaining strict control: "*among state-sponsored bodies, organisation and structure must suit the task but some of these bodies have no great resources of organisational skills. In the local authority area, a great deal has been done by the central Departments to rationalise overall structures and raise standards of management. However, the central Departments engage in such strict control that the responsibility and initiative of local bodies and, thus, their adaptability to change has been diminished*".[16] It is interesting that this review, some forty years later, has identified similar challenges in relation to the capacities within the state agencies and local government. These challenges are explored further in the chapter on Capacity and in the case study on Managing Agencies.

A number of the *Devlin* recommendations were implemented, such as the establishment of Management Advisory Committees (MACs) within each department, which included the Secretary and all officers at Assistant Secretary level. The purpose of this was to fully involve the top staff in overall management; to create a separate Department of the Public Service (which was abolished in 1987); and to separate some departments on Aireacht/Executive line. Many of its recommendations, however, were not implemented. Some have claimed that the *Devlin Report* lacked the political support needed to give effect to its recommendations.[17] It is equally possible that Ireland's accession to the EEC in 1973 and the change in its economic fortunes throughout the 1960s and early 1970s shifted attention away from these reform proposals.

In 1985, the government produced a White Paper, *Serving the Country Better*. This is widely regarded as the main impetus for contemporary attempts to develop a more customer-responsive Public Service, one better able to respond to the changing needs of the public. One of its recommendations led to the creation of the Top Level Appointments Committee (TLAC) as the mechanism for appointing senior civil servants. As with the *Devlin Report*, however, much of the rest of the White Paper, while broadly welcomed, was largely unimplemented.

Strategic Management Initiative

The current modernisation programme of the Irish Public Service is grounded in the 1994 *Strategic Management Initiative (SMI)*, which set the broad agenda for change, primarily for the Civil Service, although its general thrust was intended to impact throughout the wider Public Service. The SMI promoted public sector reform with an emphasis on the delivery of a quality service to the public. While much of SMI drew from the 1985 White Paper and the *Devlin Report*, this was the first time that such a modernisation programme received full backing from both senior public servants and the political administration. In early 1994, the government established a Co-ordinating Group of Secretaries[18] of Departments, with a remit to:

- consider the development of a strategic management process in the Irish Public Service;
- facilitate the preparation of Strategy Statements at the individual department level; and

- oversee the allocation of a fund to assist departments to acquire expertise in strategic planning and organisation development.

The then-Taoiseach (Prime Minister) Mr. Albert Reynolds, T.D., formally launched the Strategic Management Initiative (SMI) in May 1994, with the key objectives of ensuring that the Public Service would:

- make a greater contribution to national development (social and economic);
- be a provider of excellent services to the public; and
- make effective use of resources.

The SMI set in place a programme for incremental change and modernisation. It benefited significantly from taking early action and from retaining the Co-ordinating Group of Secretaries to oversee its implementation. An early requirement was that, within months of its launch, all government departments and Public Service offices under the aegis of departments had to prepare and submit Strategy Statements, setting out their overall divisional goals and objectives, to be submitted to the Co-ordinating Group of Secretaries. Over time, these Strategy Statements became more focused and relevant, and the procedures for developing Strategy Statements were formalised legislatively through the *Public Service Management Act* 1997.

SMI was also launched at a time when both the numbers and composition of staff within the Public Service started to change gradually. An embargo on overall Public Service numbers that had been in place since the 1980s was lifted, allowing a mix of both graduate and non-graduate staff an opportunity to join the Public Service. Along with the wave of newer recruits and graduates joining the Public Service, the impact of an early retirement scheme in the mid to late 1980s also resulted in changes at the most senior grade levels within the Civil Service. Some argue that the combination of the more experienced, but "newer" senior managers with the new influx at the junior and clerical grade levels, played a significant role in creating a wave of support within the system for change.

In February 1995, the Co-ordinating Group of Secretaries submitted to government its *First Report* on progress, with the aim of implementing and developing further a programme for change and modernisation. In March 1995, the government mandated the Group to:

- review existing systems for making decisions, allocating responsibility and ensuring accountability in the Irish Service; and
- bring forward for government consideration, proposals for an integrated programme to modernise the systems and practices in question, and for the consequent modernisation of existing personnel and financial management in the Civil Service.

Delivering Better Government

In response, the Co-ordinating Group of Secretaries-General submitted a report to government in May 1996, entitled, *Delivering Better Government*. This report outlined a blueprint for reform within the Civil Service. It should be noted that while it was focused on the Civil Service, the clear intention was that *Delivering Better Government* (DBG) would be broadened to the wider Public Service. In relation to the local authorities, a corresponding blueprint for reform of the local authority/local government structure, *Better Local Government*, was also published in 1996 at the initiative of the Department of the Environment, Heritage and Local Government.

The objective of DBG was to build on the overarching aims set out in the SMI, which was to ensure that the Public (mainly Civil) Service was sufficiently responsive, flexible and innovative to meet the needs of a modern, highly-diversified, increasingly complex society, and a rapidly changing economy. As part of its vision for a modern Civil Service, DBG identified seven key areas where change needed to be introduced. It envisaged the Civil Service:

- as a high performance, **open and flexible organisation** operating to the highest standards of integrity, equity, impartiality and accountability;
- with a mission and culture of **quality service** to government and to the public at every level;
- making the maximum contribution to national social and economic development and to competitiveness, within a **clear strategic framework**, both at the level of individual department and across departments;
- making use of **effective human resource management** systems to ensure that each person who works in the Civil Service can develop to his/her maximum potential in contributing to the attainment of stated goals;
- providing, through a **partnership across all levels** in the Civil Service, equality of opportunity for all through its standard of recruitment, conditions of work, training and development of people and promotion practises;
- supported by **modern systems of financial management**, to ensure value for expenditure undertaken;
- **operating necessary and simplified regulations** efficiently and fairly.

This vision has been advanced both centrally and by individual organisations since that time, through initiatives in HRM (through the Performance Management and Development System), Quality Customer Service, Management Information Frameworks (*e.g.* financial management systems), Regulatory Reform and E-Government.

Furthermore, it was recognised that the success in implementing DBG was strongly dependent upon the commitment and contribution of staff from across the Public Service at all levels. At an early point in time, a number of both administrative and legislative tools were established as part of a cascade approach ensuring that the modernisation programme was firmly embedded in the mindset of all staff. In addition to the Co-ordinating Group of Secretaries (now known as the Implementation Group of Secretaries-General), which gives overarching focus to the implementation of the modernisation programme, a number of cross-departmental working groups were also established to progress specific elements of the change process. Within each department existing structures such as senior Management Advisory Committees (MACs) played, and continue to play, a significant role in implementing locally the service-wide elements of DBG and SMI.

Implementing "Delivering Better Government"

The *Public Service Management Act* 1997 introduced a new management structure to the Civil Service on a statutory basis. The main purpose of the Act was to enhance the management, effectiveness and transparency of departments and offices and to put in place mechanisms for the increased accountability of public servants. The Act also provided for the administration of other activities including the appointment by government of political advisors and the assignment of cross-departmental functions. One

of the most fundamental changes introduced by the Act, however, which was central to supporting the attainment of the service-wide vision articulated in DBG, was the legislative requirement that each department/office would publish a Statement of Strategy. While a requirement to produce Strategy Statements was part of the original SMI process launched in 1994, the legislative requirement to not only produce a Strategy Statement, but also thereafter report annually on the achievement of the key objectives set out in that Strategy, ensured greater consistency in approaches across the Civil Service.

In 2005, the *Civil Service Regulation (Amendment) Act* further supported the vision of devolving authority for certain management decisions first set out in DBG. In relation to appointments, performance, discipline and dismissal of civil servants, this Act provides that each Minister is the appropriate authority regarding management of staff at the grade of Principal Officer Level and above, and each Secretary-General is responsible for staff below the level of Principal Officer. Prior to this Act, such decisions resided solely with the Minister, or the government (*e.g.* only the government could dismiss a civil servant in most cases). The Act also extended the scope of the Unfair Dismissals Act to cover civil servants. It widened the range of disciplinary sanctions, in particular, for under-performance. In effect, the Act moved towards a greater alignment of HRM practice for the Civil Service, with equivalent practice in the business sector. Other legislative changes governing recruitment replaced the Civil Service Commissioners and the Local Appointments Commissioners with a recruitment body, the Public Appointment Service (PAS), and a regulatory authority, the Commission for Public Service Appointments (CPSA), and created the possibility for the Commission to license bodies to conduct their own recruitment, subject to codes, rather than going through PAS (see chapter on Capacity).

Major reform initiatives and trends

Quality customer service initiative

The provision of a quality service to the public is one of the central tenets of the SMI and DBG modernisation and change programme – a vision that was first aired in the *Devlin Report*. A number of changes to improve the quality of service had been introduced since the publication of the *Devlin Report*, and again following the publication of *Serving the Country Better*. Staff were required to give members of the public their name and contact details in correspondence, and facilities in public offices – primarily in those used by the Revenue and Social Welfare Departments – were also improved.

While these changes did lead to improvements for customers, the absence of a co-ordinated approach led to significant variation in the levels of service provided across the Civil (and the wider Public) Service system. One of the first cross-departmental groups established by the Co-ordinating Group of Secretaries-General to advance implementation of the vision set out in DBG, was the Quality Customer Service Working Group. Its aim was to work with organisations from across the Public Service to support the sharing of best practice, to monitor and evaluate progress on implementing change, and to oversee the development of mechanisms to improve service delivery.

In 1997, to assist Civil Service Departments and wider Public Services offices in focusing their efforts on improving customer service, a set of nine Principles for Quality Customer Service (QCS) was formally published. This also ensured greater consistency in standards of service throughout the system. The nine Principles were revised and extended to twelve Principles in July 2000 (see Box 6.1 in chapter on Citizen-centred Approach).

As a way of further embedding the QCS principles across the Public Service, the Quality Customer Service Working Group has also developed mechanisms to acknowledge and recognise improvements, notably through the inauguration of the Taoiseach's Public Service Excellence Awards. These Awards, initiated in 2004, are held every two years to provide a public way of recognising and rewarding examples of both innovation and excellence in the development and delivery of services by Public Service organisations. An annual awards scheme for excellence in local government was also established in 2004 by Chambers Ireland, in partnership with the Department of the Environment, Heritage and Local Government.

The QCS Working Group, with the QCS Officers' Network (made up of the customer service officers from all government departments and offices), also co-ordinated the introduction of the Customer Service Charter Initiative, following a government decision in 2002. The Customer Charter process builds on the earlier (1997) Customer Service Action Plans produced by government departments and offices, and involves a four-stage process of consultation with customers, committing to standards, evaluating progress made and reporting publicly on results. An evaluation of the Charter process took place in 2007 and the recommendations arising are currently being implemented. Although the Charter process initially focused on the core Civil Service, it has been extended to the wider Public Service in recent years, particularly to the non-commercial State Bodies.

Performance Management Development System (PMDS)/Human Resource Management Initiatives

Delivering Better Government stated that an improved, integrated system could be achieved by connecting the performance of individual staff within departments and offices to the overarching goals and objectives of their division and the wider organisation. Ideally, the performance initiatives and overarching objectives at the department, agency or office level, as set out in the Strategy Statement, should cascade down towards the organisation's sub-divisions through the development of Business Plans, and then onto the individual level through the development of an annual Role Profile form. By aligning the actual performance requirements and annual objectives of the individual to the annual objectives and outputs set out in their divisional business plan, the Civil Service would have a clearer picture of the overarching goals and expectations for the coming year. Secondly, it would provide for greater ownership at the individual level of the overall performance of the organisation.

The Performance Management and Development System (PMDS) was conceived as part of an integrated overall human resource management (HRM) strategy that would allow for the devolution of authority and responsibility for staff to individual line managers. Each staff member completes an individual Role Profile Form that indicates his or her own priorities, objectives and performance targets for the coming year based on his/her contribution to the attainment of the overarching performance targets set out in his/her divisional business plan. Staff also indicate the competencies and skill-sets that they believe they need to develop or acquire to effectively meet these goals, outlining any specific training courses necessary. Progress in meeting objectives is reviewed mid-way through the year, and a formal annual review process takes place at the end of the year. The rating given to an individual officer at the end of each year determines whether or not he/she will qualify for the payment of his/her annual increment (pay increases) and his/her

eligibility for promotion. There is also scope within the system for "upward feedback" by staff on their managers.

The Performance Management Development System (PMDS) was envisaged as a continuous process directed at achieving the organisation's objectives. It ensures that staff at all levels know what their roles are, what is expected of them in terms of targets and standards, what knowledge and technical skills are required, and how they can be acquired, if needed. An independent Civil Service-wide evaluation of the PMDS system was completed in 2004.[19] This independent evaluation indicated that staff were generally positive about the implementation of PMDS (64%), with higher rates of support among management grade levels. However, the evaluation did find across all levels that *greater linkages* needed to be made between PMDS and other processes.

The PMDS evaluation did not examine the development or rollout of PMDS in the wider Public Service. From discussions and views expressed during the research for this review, it is clear that there are challenges in ensuring that the annual objectives, outputs, and targets set by the non-Civil Service body, agency or organisation, are related to the overarching vision and strategic programmes of the relevant parent department. This is particularly an issue for agencies and is explored in more depth in the case study on Managing Agencies.

The PMDS does not provide a structured mechanism whereby measurable data on performance indicators can be gathered and fed back into the process as part of an upward feedback mechanism to influence subsequent strategic decisions. The development of linkages between PMDS and an integrated HRM strategy has not yet transpired. The idea was to allow managers to identify and redeploy, as required, those staff or individuals with the competencies and skill-sets best suited to work on future projects. While PMDS has provided useful information internally to divisions on the skill-sets available within discrete units, it has not as yet led to information sharing or to the sharing of resources in order to meet overarching needs (see chapter on Capacity).

Management Information Framework (MIF)

In March 2000, the Management Information Framework (MIF) was launched, focusing primarily on the installation of consistent financial systems across the Civil Service. The objective of the MIF was to provide departments and the agencies under their remit with a flexible system of financial management integrated with performance and output measurement so as to enhance efficiency, performance and accountability. The system would provide management with regular reports on performance that would better inform decision making on the allocation and use of resources. These reports would contain both financial and non-financial performance information, in tandem with other management information from other office systems (such as the PMDS/HRM systems). Each department and agency established a MIF Steering Group and Project Team to manage its implementation of MIF, and a central unit was set up within the Department of Finance to provide guidance to departments and agencies.

It is important to note that in order for MIF to successfully underlie budgetary decision making and HR management systems, the operational data collected needs to be aligned with the indicators and measures that populate (or will eventually populate) performance management systems such as PMDS. Where this is not the case, there is a risk that MIF can become overly complicated as it seeks to include all possible information that could be

used at a future point in time. This reduces the cost-effectiveness of data collection and makes implementation of the system more difficult.

Regulatory Reform

The principle of an appropriate, simplified and fair regulatory environment was one of the cornerstones of *Delivering Better Government* and of the *Strategic Management Initiative*. The 2001 publication of the OECD report *Regulatory Reform in Ireland* acknowledged that considerable progress had already been made in the regulatory field, but also highlighted that a remarkably wide range of regulatory reforms were still required if the country was to overcome current and emerging economic and competitiveness challenges. Regulatory reform is not examined in depth in this review, but it is useful to give a short overview of the developments that have been made to advance progress in further simplifying and reforming the regulatory frameworks in Ireland.

Following the publication of the OECD report, the government established a High Level Group to promote Better Regulation, which was chaired by the Department of the Taoiseach. Following an extensive public consultation process, the government's White Paper, *Regulating Better*, was published in January 2004, setting out six principles of good regulation.[20] This also outlined an Action Plan with 50 key actions under five main headings: some of these were changes to existing regulatory practices, while others related to the introduction of new measures.

Since the publication of the White Paper, significant progress has been made in implementing the Action Plan. Such progress includes: reforming and streamlining the Statute Book, improving electronic accessibility of secondary legislation and ascertaining and addressing the impacts of regulatory burdens on business.

One of the most significant advancements has been the initiation and implementation of a model of Regulatory Impact Analysis (RIA). Drawing from the EU's Impact Assessment model, the Irish model of RIA is an evidence-based policy-making tool that allows for more systematic early consideration of the benefits, costs, and enforcement/compliance issues of new regulatory proposals. Significantly, the Irish model of RIA also requires that advance consideration be given to how new regulations (following enactment) will be reviewed, and to put in place appropriate performance indicators. Since June 2005, RIA must now be conducted on all proposals for primary legislation, on significant secondary legislation (*e.g.* Statutory Instruments), and on all draft EU directives and significant regulations. RIA marks an emphatic move by the Irish Public Service towards more proportionate, systematic, and transparent evidence-based policy making. An independent review of the operation of RIA in Ireland, committed to in the Social Partnership Agreement, *Towards 2016*, is currently underway. The Review will assess the effectiveness of the current RIA model having regard, in particular, to the principle of proportionality and current international best practice.

E-Government

Ireland's e-government strategy has been forward-looking. In 1996, DBG referenced the need to achieve value for money and to use information technology systems to "support and enhance the Departments business processes" at a time when most other OECD countries were primarily focusing on getting services online, regardless of their benefits for the Public Service. Since that time, however, implementation of the e-government vision has fallen short of expectations, both in terms of individual services

delivered, and in terms of joining-up those services from a whole-of-government perspective. The Public Service Broker (PSB), which was introduced in 2000, had a vision of being a single point of online entry to electronic public services. Today, however, it only provides one major service and 2-3 minor ones. While Ireland has some individual cases of world-class electronic services – notably the Revenue Online Service (ROS) in the Office of the Revenue Commissioners – of the 70 flagship e-government projects envisaged in the 2002 New Connections strategy, only 29 had been completed when the strategy was evaluated three years later. Particular problems of identity management and validity exist relative to other administrations with a tradition of population registers.

While e-government is clearly a modernisation initiative, and is part of Ireland's Information Society policy, it hasn't been integrated into the SMI implementation machinery. Further progress in advancing the modernisation agenda would benefit from increased connectivity with initiatives in e-government. Mechanisms to improve or streamline systems so that the appropriate data can be better shared within and across the Public Service is something that should also be examined further. While issues of data protection should be considered, the potential for shared IT systems and databases to significantly reduce the amount of paperwork generated by the public, business or the Public Service itself has not been fully exploited to date. The chapter on Citizen-centred Approach focus examines this issue in more depth.

Administrative relocation

The Irish Public Service is currently in the middle of implementing a substantial programme that proposes to move over 10 000 civil and Public Service jobs out of Dublin on a voluntary basis. Within the Irish Public Service system, this is referred to as the "Decentralisation" programme. It should be noted, however, that this programme does not envisage any devolution or transfer of decision-making functions or authority currently held by central government or departments to local or regional government level, which is traditionally understood as "decentralisation". Within the Irish context, decentralisation involves the dispersal of certain units of central government away from the Dublin region to other locations in the country. As such, the programme should be understood to mean *administrative relocation* of staff from the Dublin area, and throughout this review, references to administrative relocation should be understood to refer to the Irish decentralisation plan.[21]

Announced on 3 December 2003 as part of the 2004 Budget announcement by the then-Minister for Finance, Mr. Charlie McCreevy, T.D., the programme follows on from previous similar administrative relocation initiatives that have taken place in Ireland, which have already seen the voluntary movement of some 14 000 civil servants (approximately 40% of the overall number) out of Dublin. Previous programmes have been staggered in their implementation, and have tended to focus on moving small administrative units in a limited number of departments, such as accounting/finance units. The 2003 programme is the largest one ever envisaged and proposes the transfer on a voluntary basis (with no redundancies predicted), of some 10 300 civil and public servants (6 500 in the Civil Service and 3 800 public servants in various state agencies), to approximately 55 locations outside of Dublin. With the exception of the Department of the Taoiseach, each of the remaining 14 departments are being relocated to some extent, with eight being moved in their entirety (including Ministers, the Secretariat and Senior Management) to locations outside of Dublin.

A proposal for a large-scale administrative relocation programme was first mooted by the government in 2000. Secretaries-General were then asked to present their views on the potential impacts on service delivery of this movement of their department (in whole or in part). These were submitted to the Department of Finance. While discussions between officials from the Department of Finance and interested parties in other Departments, senior management and Public Service unions did take place in relation to a general large-scale administrative relocation programme, these consultations did not discuss the specific elements of the programme as subsequently announced. The final decision on which departments were to be moved in full and which to be moved in-part, was made by the government and announced in the 2004 Budget Speech. The programme, as announced, was not subject to wider consultation or *ex ante* cost/benefit analysis with senior management and/or the Public Service unions.

In announcing the proposals in December 2003, the then-Minister indicated that the following factors had been taken into account while selecting those departments and agencies to be moved from Dublin:

- the core business and nature of the relevant department and agencies;
- the location of their customer base;
- the need to ensure that customer service standards would not be adversely affected by the move; and
- the need to ensure that units involved are large enough to provide for future career opportunities for staff either within their own department, or in another department that is within a reasonable commuting distance.

With regards to the selection of the then-53 locations in the 25 counties that departments and offices would be moved to, the Minister indicated that the following factors were taken into account:

- the need to achieve a fit with the National Spatial Strategy, in terms of the Gateways and Hubs, and their respective catchment areas;
- the location of *existing* relocated offices;
- the importance of respecting the scale and character of the locations chosen, in terms of their capacity to absorb the number of new jobs involved;
- the desirability of clustering units relocated from a department within a region; and
- the existence of good transport links and infrastructural capacity in the selected locations.

It was originally intended that most of the administrative relocation programme would be completed by the end of 2007. To date, progress in advancing the programme has been slow, with low levels of up-take for the voluntary programme among senior management. Regular reports and updates on progress are published in Reports of the Decentralisation Implementation Group (DIG). Figures from these Reports indicate that many of those opting to avail of the programme are staff who had already moved out of Dublin and were working in other locations. The majority of moves that have taken place to date are within the Civil, as opposed to the Public Service. Some departments have experienced significant turnover, particularly those that are relocating in full, with reported turnovers in the region of 90% of relevant staff.

The administrative relocation programme has met with staff resistance. The original target was to move 10 300 civil and public servants out of Dublin by the end of 2007. The present position is that 2 000 have relocated to date. In addition, some 1 200 Civil Service staff have been assigned to posts due to be relocated and are being trained in their new posts prior to moving from Dublin. Taking account of both moves and assignments to date, almost 50% of the Civil Service general service posts, and 25% of professional and technical posts due to move, have been filled by staff with a commitment to relocate. Expressions of interest in moving have been registered by some 11 000 civil and public servants, of which over 6 000 are currently based in Dublin. It is unlikely however that all of these applicants will be accommodated, as a number of the locations for administrative relocation are over-subscribed. In other areas, sufficient numbers at the relevant grade levels have not expressed an interest in moving: challenges in getting appropriate numbers to fill posts due to relocate is compounded by the lack of mobility arrangements between the Civil and Public Service.

Administrative relocation of staff from central Dublin, particularly those staff who are involved in non-policy functions, can pose attractive options to streamline and revise work structures and to develop new shared services. In Ireland's case, relocating offices and divisions in similar locations for shared benefit has not yet been considered. This would assist with streamlining service delivery, developing opportunities for shared services, and promoting horizontal policy co-ordination. In addition, where departments are relocating in full, they are not always moving to one new location outside of Dublin: in a number of instances, elements of the department are relocating to different parts of the country.

While the OECD has not reviewed the administrative relocation programme *per se*, it should be noted that the impacts of this programme as currently envisaged does pose a number of challenges for the Irish Public Service. Staff will be dispersed widely and many will be new to departments: during interviews with the OECD, indications were that in some areas, turnover of staff who were opting not to relocate with their departments or offices could be as high as 90%. In addition to the loss of expertise and knowledge, this presents challenges for management level staff (who in many cases are also experiencing staff turnover) to ensure appropriate training is provided so that business and services continue without loss of quality or effectiveness. They will also require the following: commensurate decentralisation of additional authority; stronger governance; better accountability mechanisms; appropriate information systems; revised procedures and mechanisms regarding staff mobility (particularly as staff choosing to relocate will not be as flexible going forward in terms of re-deployment); and effective methods and systems to evaluate and measure performance. These needs will impose additional specific pressures on the Irish Public Service, as compared to the public services in other countries, which in other respects, share the same challenges as their Irish counterparts.

Many of the findings and recommendations regarding performance, capacity, citizen focus and governance in subsequent chapters of this report are issues that affect the Irish Public service at this point in time. Specific additional challenges in light of administrative relocation are highlighted where relevant, though this should not be considered an exhaustive list.

Notes

1. 2,239,900. *Source:* Central Statistics Office (March 2008). Number of persons in the Irish Labour Force, September-November 2007. From Quarterly National Household Survey, Quarter 4 2007.
2. The public sector comprises General Government, voluntary schools, hospitals, universities and public enterprises, and semi-state bodies such as Iarnrod Éireann, Bus Éireann and Bus Átha Cliath.
3. A classical career-based Civil Service model aims at maintaining a corps of generalists that can move easily between different parts of the public administration and that frequently do so, often in connection with promotions. External entry to the system is restricted, and might even be limited to the bottom echelons so that access to higher levels is reserved for insiders (see Chapter 4).
4. MacCartaigh, M. (2007).
5. *Ibid*.
6. National Economic and Social Council (NESC) (1985).
7. Convery, F.J. (1985).
8. KPMG (1996).
9. Indecon (2005).
10. See, for example, paragraph 27.18 in National Social Partnership Agreement (2006).
11. Department of Taoisearch (2005).
12. A table outlining the key dates and developments in the Irish Public Service is attached as an Annex to this Chapter.
13. Although certain elements of this Act have been amended since that time (notably, the repeal in 1973 of Section 10, in relation to the requirement that women retire on marriage).
14. Devlin, L. *et al*. (1969), p. 13.
15. In this regard it is interesting to note that the United Kingdom (who also joined the EEC in 1973) also embarked on a similar review of their civil service, through the Fulton Committee.
16. Devlin, L. *et al*. (1969), p. 140.
17. Collins, Cradden and Butler, 2007.
18. The highest ranking civil servant in a Government Department was known in 1994 as the Secretary. This grade level has since been renamed "Secretary-General".
19. A similar evaluation for the wider Public Service has not yet been undertaken.
20. The six principles of good regulation are: Transparency, Necessity, Proportionality, Effectiveness, Consistency and Accountability.
21. The World Bank defines *decentralisation* as: "… the transfer of authority and responsibility for public functions from the central government to subordinate or quasi-independent government organisations or the private sector. This covers a broad range of concepts relating to the type of decentralisation – political, administrative, fiscal or market."

    The Irish programme, however, does not provide for any transfer of functions from central government to other government organisations, or the private sector, but instead physically relocates central government functions, and staff to regional areas outside the greater Dublin area. In addition, some central government functions that are currently housed within one geographic location or office in Dublin are now being relocated or dispersed to various regional areas, hence the use of the term "*administrative relocation*" in this report.

ANNEX 3.A1

Timeline/History of modernisation in the Irish Public Service

1921	Signature of the *Anglo-Irish Treaty.*
1922	Transfer of the civil service to the newly established Irish Free State.
1923	*Civil Service Regulation Act.*
1924	*Ministers and Secretaries Act.*
1932	Establishment of the Brennan Commission (Commission of Inquiry into the Civil Service: 1932-1935)
1956	*Civil Service Regulation Act* (to replace earlier versions: while amended since, this remains the main statutory code for civil servants).
1958	Publication of Programme for National Expansion.
1969	Public Services Organisation Review Group Report 1966-1969 (*Devlin Report*).
1973	Establishment of the Department of Public Service, under the Minister for Finance, as recommended by the *Devlin Report*. From 1973-1979, the Department operated independently under the Minister for Finance. From 1979 to 1982, the Department of Public Service, and the Department of Labour were brought together under one Minister. In 1982 it was again given its own Minister.
1985	Government White Paper *Serving our Country Better: A White Paper on the Public Service*: Placed emphasis on "managing for results, developing training and encouraging initiative". Some reforms (largely in customer service) were implemented. Other reforms proposed foreshadowed the changes later introduced by SMI and DBG.
1987	Department of Public Service abolished and functions integrated into the Department of Finance.
1994	Establishment in January of Co-ordinating Group of Secretaries. May: launch by then Taoiseach Albert Reynolds of the Strategic Management Initiative (SMI). End year: departments start to produce Strategy Statements.
1996	Publication of *Delivering Better Government* (DBG).
1997	*Public Service Management Act* 1997. Quality Customer Service Initiative and first publication by departments of individual Customer Service Action Plans. *Houses of the Oireachtas (Compellability, Privileges and Immunity of Witnesses) Act* 1997. *Freedom of Information Act* 1997. Presentation of the first Strategy Statement under the *Public Service Management Act* 1997.
1998	Government Approval given for Multi-Annual Budgets and enhanced Administrative Budgets. Establishment of All Party Oireachtas Committee on the SMI (*Note:* the Joint Oireachtas Committee on Finance and the Public Service now deals with modernisation and reform issues).
1999	Design of new Civil Service policies and systems on HRM and Performance Management. Government approval of Financial Management system. Announcement of radical programme of Regulatory Reform. Initiatives in relation to e-Government, e-Commerce and the Information Society. Publication by departments of first Annual Reports under the terms of the *Public Service Management Act* 1997.
2000	Launch of Performance Management and Development System (PMDS) for the civil service.
2001	OECD report: *Regulatory Reform in Ireland*. Agreement on an Action Programme and National Action Strategy on Better Regulation.
2002	Independent Evaluation on SMI (PA Evaluation). Independent Evaluation on Quality Customer Service (Butler). Independent Evaluation on Partnership (J.J. O'Dwyer and Associates). Review of Partnership within the Civil Service (National Centre for Partnership and Performance). *Benchmarking Report.* *European Union (Scrutiny) Act* 2002.

2003	Publication of Social Partnership Agreement *Sustaining Progress* – includes commitments in relation to public service modernisation. Establishment of Performance Verification Groups to monitor and report on progress in implementing the modernisation agenda.
2004	Publication of the Government White Paper, *Regulating Better:* this sets out a detailed Action Plan to advance regulatory reform. Piloting of Regulatory Impact Analysis (RIA). PMDS Evaluation (Mercer): main recommendation to integrate PMDS with wider HR system, including assessment systems. *Public Services Management (Recruitment and Appointments) Act.* Civil Service Code of Standards Agreed.
2005	Integrated PMDS model: integration with increments, promotions, higher scales. Introduction of RIA.
2006	Publication of Social Partnership Agreement *Towards 2016* contains further commitments in relation to modernisation of the public service.

ISBN 978-92-64-04325-1
OECD Public Management Reviews : Ireland
Towards an Integrated Public Service
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Chapter 4

Ensuring Capacity

Introduction

Public Service capacity can be broadly defined as the totality of the strengths and resources available within the machinery of government. It refers to the organisational, structural and technical systems, as well as individual competencies that create and implement policies in response to the needs of the public, consistent with political direction. Public Service capacity cannot be measured in totality, and there are no universal rules about what level of capacity is necessary to deliver a certain level of Public Service outputs. The analysis of long-term trends in capacity and public service delivery, however, accompanied by qualitative comparisons of capacity among OECD countries, can contribute to an overall analysis of capacity in the Irish Public Service. The challenges for government organisational capacity in Ireland are addressed in the chapters on Governance, Performance, and a Citizen-centred Approach, and in the case study on Managing Agencies. This chapter focuses on the human resource aspect of capacity.

The performance of the Public Service, *i.e.* its ability to meet the expectations of citizens and the strategic objectives of the government, depends heavily on the capacity of those who make up the Public Service. It also depends on the formal and informal *incentives structure* that allows those within the system to unleash their individual and collective potential. The Co-ordinating Group of Secretaries highlighted this in their *Delivering Better Government* report (1996), where human resource management (HRM) formed the heart of the proposed reforms.

The Group argued that major reforms in existing human resource management structures and processes were necessary in order to meet the overarching goals of the *Strategic Management Initiative* (SMI) and the vision set out in *Delivering Better Government* (DBG). In the Group's opinion, the changes they proposed had to be supported by changes in human resource management in the Civil Service. They argued that traditional personnel policies had too narrow a focus and that a more proactive personnel management approach was needed. They also felt that emphasis should be placed on *performance*, and that the skills of staff should be fully developed and utilised to meet the needs of the organisation. The Group envisaged a significant restructuring of existing personnel systems, more flexible working arrangements, and the greater use of teamwork within and across departments. Those changes would then inspire similar changes in the wider Public Service.

This chapter will review HRM numbers, structures and processes, as well as strategies for reform that have been devised and implemented in recent years. The analysis emphasises four main themes: 1) workforce planning and management, 2) the management of staff performance, 3) the importance of *flexible and coherent* HRM rules across government organisations, and 4) the significance of and changes to core values.

Capacity: Structure and numbers

Staff numbers and their different groupings are important both in terms of stock and flows. It is crucial for government not only to have the right number of employees but also to ensure that staff are allocated properly across government organisations. This is especially significant as priorities change over time, and as efficiency gains are made, for example, with investments in information technologies. Depending on the structure of the system chosen for the Public Service (*i.e.* career based/position based – see Box 4.1), governments face specific challenges in terms of skills and competencies.

This section thus reviews Public Service numbers and the workforce planning capacity in government. It assesses the challenges the Irish government faces in the area of skills and competencies as well as the implications of their reforms.

Workforce numbers

Overall numbers

The production costs of goods and services funded by government (but produced either by government or the private sector)[1] represent 16.4 % of the GDP in Ireland (approximately 19% of GNP). This is far below the median of OECD countries where goods and service costs are 20.3% of GDP. In Ireland these have decreased slightly in recent years. Within these costs, however, the compensation costs of government employees are relatively higher, at almost 28% of government expenditure. This is not due to a high level of compensation costs in the economy, but rather, to the relatively low level of outsourced and contracted out services in Ireland. Employment numbers in government (including voluntary schools, hospitals and universities) and public (quasi) corporations, as a percentage of the labour force, are low compared to other OECD countries, at approximately 16% of the workforce (see chapter on the Irish Public Service for a broad overview of public sector employment).

Trends

Based on OECD data, between 1995 and 2005, the number of employees in government, publicly funded voluntary schools, hospitals and universities increased by 34%. If public enterprises ("Semi-State bodies" in which staff increases have been relatively less important) are included, this increase rises only to 24%.

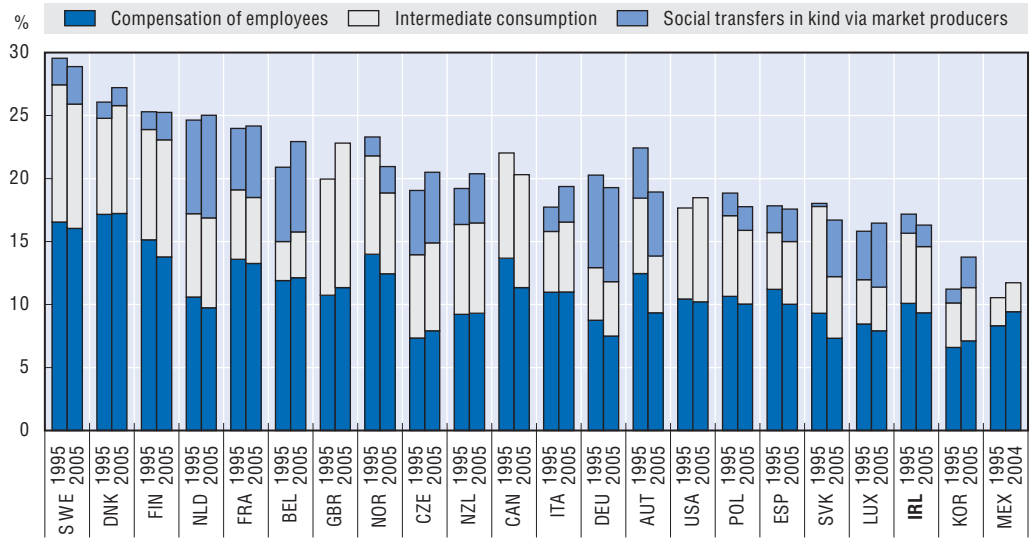
Overall, this increase in staff numbers has mostly taken place in the health (+56%) and education (+41%) sectors, which have augmented their share of Public Service employees. While actual real numbers for the Public Service have increased however, the percentage share of employees in the Public Service as a whole, has decreased in the case of the Civil Service, the Garda Síochána and the Defence and prison sectors.[2]

As a percentage of the labour force, the number of employees in government, publicly funded schools, hospitals, universities and public enterprises has decreased. Compensation costs of government employees have also dropped as a percentage of GDP.[3] This has occurred despite the fact that, over the past ten years, compensation costs per employee in government have also increased more rapidly than compensation costs per employee in the economy. However, this increase has been justified by the need for a "catch up" of government salaries through the benchmarking process (see below).

The production costs of government-funded goods and services have not increased at the same rate as economic growth over the years of 1995 and 2005 (Figure 4.1). This is a remarkable achievement in a context of increased compensation costs as a percentage of

Figure 4.1. **The structure of government expenditures allocated to the production of goods and services in the public domain**

Percentage of GDP, 1995 and 2005

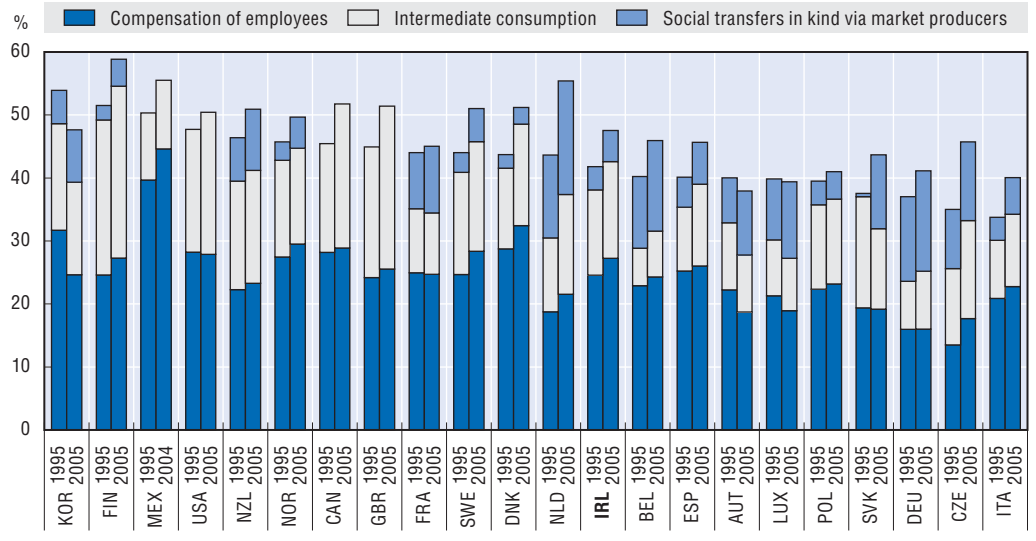


Source: *National Accounts*, OECD, full developed in GOV-PGC-PEM (2007) 2.

general government expenditures (Figure 4.2). This surge in compensation costs (matched by a similar increase in contracting out) has reduced the potential for general government to invest in other areas.

Figure 4.2. **The structure of government expenditures allocated to the production of goods and services in the public domain**

Percentage of government expenditure, 1995 and 2005



Source: *National Accounts*, OECD, full developed in GOV-PGC-PEM (2007) 2.

With the cost of public employees weighing less today in the economy than ten years ago and considering media scrutiny and popular debate on the productivity of the Public Service, it would seem reasonable to conduct a detailed review of Public Service capacity by sector. In

order for the Public Service to deliver public services that keep pace with economic development and society's demands for improved quality, each sector requires the right number of people with the right skills in place. Whether these services should be delivered by government employees or be simply government-funded (*e.g.* through outsourcing to the private and/or voluntary sectors), however, is a separate issue for political decision makers and requires different investments in HRM. The reallocation of staff across sectors, nonetheless, will be a very important issue, as will the allocation of resources to the overall management of government. As Ireland is moving towards a more sophisticated management of service delivery organisations (with more delegation of authority and different organisational forms such as agencies and PPPs), the level and type of capacity needed must also evolve. In this regard, there are signs of a future lack of government capacity to manage agencies, or to manage contracted out services and Public Private Partnerships (see case studies on Managing Agencies, Waste Management and School Planning).

As will be developed in subsequent sections, such a functional review would benefit first from an improvement of workforce planning in government, and an improvement of government's capacity to think in terms of outputs and outcomes.

Organisation of the Public Service

As discussed in Chapter 3, the Irish Public Service is made up of a number of separately managed, specialised public services, which are all governed by a centrally determined and detailed set of rules that are closely interlinked and overseen by the Centre (*i.e.* the Department of the Taoiseach and the Department of Finance).

The different groups that make up the Public Service (*e.g.* civil servants, teachers, police, military personnel, and staff in local government, health and community services) are separately managed with different public employers,[4] but all are career-based systems (Box 4.1). The Irish system is more compartmentalised than the typical career-based system in OECD countries, but is in the process of opening up to the general labour market. On the one hand, contrary to typical career-based systems, Ireland does not have a career management system across different government organisations, and there are strong barriers against mobility across Public Service groups. On the other hand, there are some recent changes in the direction of position-based system with a number of positions being opened to lateral entry in the Public Service other than the traditional entry levels. Finally, tasks have been transferred to non-civil servants in organisations that are separate from the core government departments, while specialised cadres have appeared within the Civil Service. This is the case, for example, in many agencies whose numbers – and corresponding personnel costs – have increased significantly in recent years.

Recruitment to the Civil Service is always through open competitive competition, but promotion, depending on the circumstances, can either be reserved for staff in the recruiting entity, be open to all civil servants for inter-departmental competition, or be completely open to all applicants, whether or not they are currently Public Service employees. A number of posts beyond graduate entry which traditionally were only accessible through promotional competitions for existing civil servants are now open to external competition: vacancies from a panel of internal candidates, and a panel of external or 'open' candidates, are filled according to an agreed sequence. An increasing number of senior management positions, including a certain number at Assistant Secretary level are open to external candidates and advertised externally. The remuneration system consists of centrally determined grading systems and pay scales.

Recruitment for most other posts in the wider Public Service may be centrally implemented (*e.g.* medical consultants, Gardai, senior management in local government, health and some agencies), or left to implementation by departments or other bodies (*e.g.* individual boards of management in schools, for example, appoint teachers) or agencies. In some cases, it is difficult to navigate the career-based or position-based nature of systems when staff are recruited at mid-career level from the outside. The local government sector is facing specific challenges for its generalist staff as there is currently no graduate entry level (many entrants, however, have graduate diplomas when they enter in the Civil Service), and apart from management (levels eight, nine and ten), staff move up to higher levels through promotion, (although there are plans in the Social Partnership Agreement *Towards 2016*, to open up mid-career levels to lateral entry of graduates (levels six and seven).

Box 4.1. **Career-based *versus* position-based systems in OECD countries**

A classical career-based Civil Service model aims at maintaining a corps of generalists who can move easily between different parts of the public administration and that frequently do so, often in connection with promotions. External entry to the system is restricted, and might even be limited to the bottom echelons so that access to higher levels is reserved for insiders. Examples of such a system among OECD countries include Belgium, Denmark, France, and Norway.

The major alternative model is a position-based system, the main characteristics of which are open recruitment to all posts and no preferential treatment for those that already hold public employment. Examples of such a system among OECD countries include the Australia, New Zealand, and the United Kingdom.

Classical career-based Civil Service systems are often associated with statutory governance of employment and employment conditions, but could equally well be based on centrally negotiated employment contracts covering the entire Civil Service. Position-based systems, on the other hand, are often associated with devolved human resource management responsibility, but could also be based on centrally negotiated employment contracts. The permanency of employment or tenure is not a clear demarcation line between these two models.

Actual public employment systems in OECD countries are always somewhere between these two extremes. Countries with career-based Civil Service systems have responded to the need to recruit specialists in certain professional areas and to bring in experienced senior managers from the outside. Countries with open, position-based systems on the other hand, have typically deemed it necessary to retain specialised corps systems in certain fields* and to manage senior managers with a career-long perspective in the Public Service.

The principal reason why one can observe a widespread trend towards more position-based systems is that career-based systems used to be the norm, and that broader public commitments, more complex tasks, and a need for more specialised competencies are requiring career-based Civil Services to complement their system with some open components. In addition, with the general move towards more emphasis on individual performance management, countries have found it easier to move towards position-based systems that tend to be more devolved and thus more compatible with individual staff performance management.

* Among these are the judiciary, the Foreign Service, the police, the customs and the armed forces.

Grading and pay in the Civil Service and the Public Service and across the different sub-groups of the Public Service are very similar. This is in keeping with other career-based systems in OECD countries. This has been reinforced by strong union representation through the Partnership process and by the prominent role of the Department of Finance in providing guidance and oversight of human resource management, although there are important drawbacks to the heavy controls exerted by the Department of Finance (see below). Pay increases for the majority of both Civil and wider Public Service staff[5] are agreed at central level via Partnership agreements and benchmarking (see below).

Almost all civil servants spend their whole careers within the Civil Service, and there are few opportunities for mobility outside of the core Civil Service. In the wider Public Service, there is a certain degree of mobility across organisations for specialised staff such as teachers. For generalist public servants, however, the chance to work outside of their entry Public Service group is rather limited (*e.g.* local government staff remain local government staff, etc.). This is an unnecessary opportunity cost in a small country with a career-based system. Apart from specialised sub-groups such as teachers and doctors, maintaining siloed career-based organisations is certainly sub-optimal, as they create very small labour markets, little competition over time among staff, and significant difficulties in reallocating staff from one organisation or department to another, as priorities change over time.

There are additional challenges. Many parts of the system remain closed to external applicants. Most importantly, it is very difficult to get outside expertise on management or on specialised generalist functions such as HRM and ICT. It is also very costly to train future generalist public servants in those areas that also end up having limited career opportunities and thus present specific management challenges. Other countries, which also tend to be larger, offer government-wide career paths with developed opportunities and incentives to have government-wide careers in the different parts of the Civil and Public Services.

Workforce planning and the management of competencies

Governments need to invest in workforce planning and offer incentives to departments and agencies. In recent years, workforce planning in OECD countries has been reinforced by the increased use of competency management which has been used as a way of integrating business goals, as well as integrating the various parts of the HRM function itself, *i.e.* recruitment, probation, induction, promotion, training, development, performance management, discipline and rewards etc.

Workforce planning

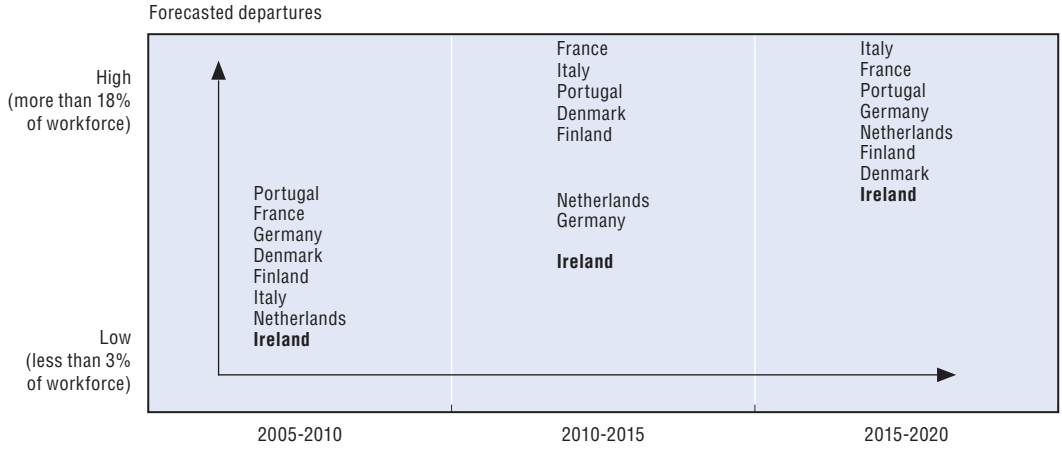
A distinction has to be made between the short-term or operational dimension of workforce planning and the longer-term strategic dimension. In the short-term, there is a direct link between workforce planning and operational decisions. In the longer-term, workforce planning is instead linked to strategic decisions about the future.

Long term workforce planning[6]

The demographic situation in Ireland differs from many OECD countries. There are larger cohorts of younger people and smaller cohorts of older people aged 65 and above. As a result, large-scale departures have been projected over the long-term and Ireland will face similar policy challenges to other OECD member countries, even if they emerge much

later. It also seems that the Civil Service is ageing more rapidly than the rest of society in Ireland and than in other OECD countries. Data about age structure for the Public Service in Ireland is only available for the Civil Service. It is possible that given the recent expansion in the Education and Health sectors, ageing may be less an issue in the Public Service as a whole.

Figure 4.3. **Forecasted departures due to ageing, at the central government level**



Note: Percentages are percentages of current workforce cumulative over the entire five-year periods.
Countries are underlined when they start to face significant decreases in the proportion of economically active workers in the general labour force.

Source: OECD forecasts.

Until Ireland participated in an international study on ageing and the Public Service[7] and commissioned its own national study on the issue, the government had only made very limited efforts to deal with this problem. These efforts merely addressed the question of cost containment of pensions (including those of the public sector) and a National Pensions Reserve Fund was set up to supplement the pay-as-you-go system.[8] In addition, a comprehensive study by the Commission on Public Service pensions was carried out in 1996-2000. A number of changes were introduced in 2004 following this report, including an increase in minimum retirement age for new entrants from 60 to 65, with a minimum contributory period of 40 years and an abolition of compulsory retirement age. In terms of cost containment, this minimalist ageing strategy may well be sufficient to achieve efficiency targets.

However, the challenges involved in the management of public employees in the context of an ageing population are complex. They include: 1) the need to reallocate human resources across sectors where necessary; 2) the need to rethink the division and governance of labour between government and the private sector in terms of service delivery, especially in the social sectors (particularly in light of the significant contributions made by community and voluntary organisations), and its implications for the status of staff working in those sectors; and 3) pressures to reduce staff costs due to fiscal pressures created by an ageing population. Significant staff departures are an opportunity to bring in other people with new skills, decrease staff numbers and staff costs (given that entry level salaries are lower), reallocate staff across sectors and responsibilities (including building capacity in management, planning, and strategic focus). This is, of course, highly related to

the development of strategic capacity in government (see below). However, there are also challenges related to the loss of key capacity.

The Irish government is well aware of these issues and would like to use the ageing challenge as an opportunity to start long-term workforce planning. Some of the recent changes to the management of public employees will help in developing and implementing an ageing strategy for the future, if the new tools in place are used with this goal in mind. Open recruitment in the Civil Service will help to develop and maintain capacity. The administrative relocation programme may also help in allowing a reallocation of staff across sectors depending on needs, but only if the government develops the tools to address mobility (see below). However, there are challenges in relation to the age-profile of those staff who choose not to relocate and will remain in the greater Dublin catchment area. These staff tend to be older and in more senior positions. Forward thinking about future capacities is needed, as replacement challenges will arise. Sufficient numbers of suitably qualified public servants may need to be willing to re-locate or return to Dublin at a time when they may have established their families and social networks in other regional locations.

As the administrative relocation programme is recent, it is too early to reach any conclusions on the government's ability to respond to the question of ageing and the Public Service. While the Irish age structure gives more time for the Irish government to adjust, the challenge for Ireland will, in all likelihood, be as significant as in many other OECD countries. So far, the whole-of-government strategic thinking on the issue remains limited, although the health sector is very focused on the ageing issue in its long-term workforce planning strategy. Ireland would certainly benefit from looking at other countries' experiences, such as: Finland for the whole-of-government thinking on the issue; France for workforce planning in the context of an ageing population; Denmark for the institutional thinking around the ageing issue; and Australia for its flexibility measures to face ageing.

In terms of institutional arrangements, it seems that ageing might provide the opportunity to develop some concerted long-term workforce planning with an integrated Public Service perspective. The Department of Finance has a special role to play in this respect in co-ordination with the interdepartmental committee on the ageing issue set up by the government in July 2007.

Workforce planning and control on numbers

Decision-making processes about staff numbers are essential for workforce planning. Indeed, when workforce planning is delegated to managers, they carry out their tasks if they have incentives to do so – that is, if they feel they have some leverage over their staff numbers. If workforce planning is more centralised like it is in France, then there is a centralised responsibility to plan for the workforce. It seems that in Ireland the situation is unclear, with a formal delegated authority to manage workforce planning, but on the other hand, a very centralised system of decision-making processes.

Since the mid-1990s, effective recruitment limits have been applied in different ways and at different times across the Public Service. Notwithstanding these effective limits, significant increases in the number of staff working in the Public Service have taken place. When assessing applications for future staffing increases, the Government affords priority to staffing needs in those areas that are providing front line services to the public

(*e.g.* Garda Síochána, nurses, teachers). Recruitment procedure in Ireland for the Public Service is heavily centralised, and all requests for staffing increases must be approved by the Department of Finance, with each sector subject to an overall limit on staffing numbers. Staff levels in areas of government that are not directly providing front line services are kept to a minimum, and each sector has an authorised number of posts. There is little evidence, however, that such recruitment limits have been decided in a strategic manner. Across OECD countries, relatively successful centralised decisions on overall workforce numbers have taken place in countries which have carried out more extensive functional reviews of government, such as Canada (*e.g.* programme "La relève").

In addition, there seems to be no close monitoring of "shadow" employment, *i.e.* contracted out services, concessions and PPPs. Effective recruitment limits on Public Service numbers only make sense if they are used as part of a more general policy aimed at decreasing – or at least constraining – the costs of employment to deliver public services. This employment includes not only Public Service employees but also private employees hired to deliver public services. Developing public services provided by the private sector is a priority although there is no evidence of an existing strategy 1) to increase capacity in ministries to handle such contracts, which would make contracting out and PPPs very worthwhile; 2) to select specific areas in government that would benefit from contracting out (see chapter on Performance).

In contractual employment, the extent to which fixed-term employees are counted and monitored in the workforce seems to vary significantly from one sector to another, and from one organisational form to another. Traditionally, there is little fixed-term and contractual employment in the Irish Public Service. In 2005, there were 1 350 fixed term contracts in the Civil Service, and 33 650 open term contracts. The proportion of fixed term employees in the wider Public Service is unknown.

Another important matter that is indirectly affecting the size of the Public Service workforce is the increased use of consultant and other project-funded staff. In the Civil Service, the Comptroller and Auditor General reported in 2007[9] that the use of consultancies in the Civil Service increased from 983, at a cost of EUR 79.6 million over the period 1994-1996, to 1 159, at a cost of EUR 124 million in only two years' from 2004 to 2005. Again, numbers are known to be much higher in the wider Public Service, although data is lacking to support this. Revised guidelines from the Department of Finance now require departments to account for expenditure on consultancy and other external services in the Vote structure, account on expenditure on consultancy made in relation to Value for Money reviews and to maintain a central database of consultancy contracts.

Although the arguments for centralised control of staffing levels are understandable, Ireland's level of *ex ante* controls on personnel numbers and costs are exceptional within the group of advanced OECD countries, not only for departments, but also for local government and agencies. While *ex ante* budget controls remain in most cases, the delegation of control for staffing levels has taken place in most countries, albeit to varying degrees. Under the terms of three-year Administrative Budget arrangements for the Civil Service, the head of each department has significant freedom to configure the grading of his or her staffing, up to and including the level of Principal Officer, within agreed overall numbers and an agreed budgetary ceiling. This does afford a level of freedom to heads of departments to configure their staffing as needed. However, where departments are already at, or close to, their agreed overall numbers and/or their agreed budgetary ceiling,

Box 4.2. **Delegation of HRM at central government level across selected OECD countries**

Delegation of establishment *(the ability to decide on staff numbers and the types of staff that are employed)*

- In **Australia, Finland, Norway, Sweden** and the **United States**, the departments/agencies have a large autonomy to determine, within established legal and budgetary limits, the numbers and types of posts within organisations, as well as the allocation of budget envelope between payroll and other expenses.
- The allocation of budget envelope between payroll and other expenses is centrally defined/ bounded (**Czech Republic**, **Germany**, **Hungary**, **Italy**, **the Netherlands**, **Poland**, **Portugal**, **Spain**, **the Slovak Republic**, **Switzerland**, or **the United Kingdom**). The numbers and types of posts within organisation can also be centrally defined or bounded (**Austria**, **Luxembourg**).

Delegation of compensation levels

Decisions on the general management of the pay system (fixed part, progressions in pay scales, etc.):

- Is centrally defined, or with little latitude for departments/agencies in many countries, including **Austria**, **Belgium**, **the Czech Republic**, **Finland**, **Germany**, **Hungary**, **Italy**, **Japan**, **Korea**, **Luxembourg**, **the Netherlands**, **Norway**, **Spain**, **the Slovak Republic**, or **Switzerland**.
- Is delegated to departments, agencies or even work units in some countries, including **Australia**, **Sweden**, and **the United Kingdom**, and to a lesser extent **the United States** implying a very diverse set of pay frameworks within countries.

Decisions on the management of the variable portion of pay – benefits and performance related pay:

- In **Luxembourg** or **Switzerland**, the management of the variable portion of pay is centralised, like the general management of the pay system.
- In **Hungary, Japan, Korea**, the management of the variable part is more delegated than the general management of the pay system, but it remains centralised/ bounded, with little autonomy.
- It is generally delegated to departments or the agencies than the general management of the pay system, allowing some room for manoeuvre in countries including **Austria, the Czech Republic, Finland, Germany, Italy, the Netherlands, Norway, Spain**, or **the Slovak Republic**.
- In **Australia, Sweden** or the **United Kingdom**, it is delegated to departments/agencies or work units, like the general management of the pay system.

Delegation of position classification, recruitment and dismissals

The post classification system:

- In **Austria**, **the Czech Republic**, **Germany**, **Ireland**, **Italy**, **Japan**, **Korea**, **Luxembourg**, **theNetherlands**, **Portugal**, **Spain**, **the Slovak Republic**, **Switzerland** or **the United States**, the HRM central body primarily defines it, with little autonomy for the departments/ agencies.
- In **Belgium, Finland, Hungary**, there appears to be some delegation in the definition of the classification system.
- In **Australia** and **the United Kingdom**, departments/agencies have wider rooms of manoeuvre for the determination of their own classification system.

given that the majority of staff within the Civil Service hold permanent contracts, this may leave little scope for them to recruit additional staff with a specific skill, even on a short-term contractual basis.

In a more complex work environment, with a more diverse, outward-looking, dynamic and educated society, the Public Service needs to be able to respond more effectively to citizens' increased expectations as regards both policy development and service delivery. There is a greater need now for the Public Service to be able to respond to changing priorities and needs by ensuring that the right staff, with the right skill-set, are in the right place as needed. Within departments and offices, given that many are at their maximum capacity for numbers, increasingly their focus is on reorganising or reallocating staff internally to meet changing priority needs. For those departments however, whose staff base is older, or who have not developed skills and competencies in emerging areas, or where staff numbers are subject to significant changes due to inward and outward flows as part of the administrative relocation programme, the strict *ex ante* controls on numbers present additional challenges.

In addition, tight *ex ante* controls on staffing are a seriously inhibiting factor for departments and agencies that are trying to strategically plan their workforce. In the education sector, for example, the Department seems to have a clear view of the number of teachers it will need in the future in light of the demographics (students with special needs and integration of new immigrants) and new policy priorities. With only 150 to 200 surplus teachers, the actual staff allocation capacity seems to be relatively solid. However, the discussion on these numbers with the Department of Finance seems to be focused solely on the methodology for counting the numbers. There is no sign that a discussion on strategic policy implementation is taking place, nor feedback being given to decision makers on the costs of new policy priorities.

In Ireland, the issue of strategic planning capacity in human resources is not only a problem of limited management capacity. E*x ante* controls have undermined the possible emergence of a government dialogue on strategic policy implementation between policy makers and senior management staff, and between line departments and the Department of Finance.

Workforce planning has advanced in the health sector since the decision to establish a single national executive management agency (Health Service Executive). The decision to reform the organisation of service delivery in health has provided the opportunity to review the needed staff capacity and propose more significant reforms. Some major human resource challenges have yet to be adequately addressed, however, such as the reallocation of surplus administrative staff, ensuring an appropriate skill-mix of medical front-line staff, and developing appropriate governance, communication and internal management structures.

Management of skills and competencies

Recruitment

As in most career-based systems, recruitment to many parts of the Irish Public Service is through competitive recruitment to a relatively low entry level.

The competitive process in the Civil Service is overseen by the Commission for Public Service Appointments. The Public Appointments Service (PAS) (acting as a recruitment service) carries out competitive examinations for most Civil Service posts as well as for

senior levels of the local government sector, the health sector (which can include consultants such as specialist doctors, managers, nurses, etc.) and clerical staff, police and other agencies of the state, *i.e.* those within the remit of departments.[10] The applicants' merits and suitability for the group are assessed and a ranked list of approved candidates is made. These are then offered employment as vacancies become available with limited possibilities for the employers to pick and choose among applicants, or for applicants to choose where to go. This process also applies to departments and government bodies that do not go through PAS but have to abide by the legislative code of practice for recruitment enacted in 2004.[11] Local authorities, the Defence Forces, agencies and the education sector (*e.g.* teachers and professors) are exempted from the implementation of the code of practice.

This process is designed to strengthen the coherence of the Civil Service cadre and is implemented with a very high degree of professionalism by PAS. Abstract tests have changed to "job simulation" tests, or strategic exercises, competency tests, and to a lesser extent, the examination of achievements and even steps up to the next job.[12] PAS seems to be constantly updating its practices to find the right mix of tests.

The length of PAS' recruitment processes has been criticised. Belgium's federal recruitment agency, SELOR, has received similar criticisms.[13] The processing times for PAS do not seem unreasonable, given the number of applicants, but could be reduced through a more streamlined process of pre-screening, with more strict conditions of access depending on educational requirements, but also on professional experience (legislative requirements might need to evolve). This should be easier to attain with an increased number of positions open to external applicants at non-entry levels. The separation of the standards-setting function from the actual service provision has, at the same time, created a potential for combining safe-guarding of an appropriate recruitment process with a competitive environment for recruitment services, and this should, over time, ensure that the efficiency of the recruitment processes is maintained at a satisfactory level.

A large part of the Public Service is moving towards a more sophisticated recruitment system that is in line with the Civil Service. This seems to be especially the case in the health sector, which has also used the PAS to strengthen its recruitment processes. The situation is less favourable in the education sector where recruitment is left in the hands of individual school boards, although the Department of Education and Science has made much effort to provide increased guidance and training to them in relation to recruitment procedures and legislative requirements.

The local government sector is a specific case in terms of its recruitment process. As mentioned earlier, there is currently no graduate entry level, although many recruited staff actually have graduate degrees at entry. Staff then move up the hierarchy, and lateral entry is again open to outside applicants at the higher end of the hierarchy (and recruitment at this point is through PAS). Recruitment at lower grades is left to each local authority, with fully trained boards. In a knowledge-based economy, it seems indispensable to have a graduate entry level in the local Public Service, as envisaged but not yet implemented by the Social Partnership agreement, *Towards 2016*. In addition to getting expertise at the middle-management level, there are also very few managers hired (or attracted in) from the private sector. Thus, most management skills are built internally, from an entry point that does not select on graduate qualifications. Although this situation may be satisfactory for the existing staff base, this does not seem a sustainable path in an environment where sophisticated management skills are increasingly important (with for example, an

increasing need for service delivery through various organisational forms such as PPPs, and contracted out services) (see case study on Waste Management).

Collective decision on compensation levels

Ireland is a unique case regarding the level of consultation and/or consensus on public employment compensation costs and, to a lesser extent, on public employment numbers. Pay is negotiated under the Partnership agreements and with a whole-of-government perspective since pay increases for many private employees are also part of the Partnership agreements. Remaining a competitive employer should be a key priority for government. With this in mind, an independent Public Service Benchmarking Body was established under the terms of the Programme for Prosperity and Fairness on 19 July 2000, and presented its conclusions in 2002. This Body, which considered submissions from both Public Service employers and Public Service unions, examined overall pay levels and grades by sector, taking into account other factors, such as recruitment and retention, and private sector pay rates. In theory, this benchmarking process should only give rise to pay increases if the pay in comparable jobs in the private sector is increasing faster than the agreed increases under national agreements. The first benchmarking exercise recommended increases averaging 8.9%. A further benchmarking review was completed in December 2007 that recommended pay increases (in addition to what has been agreed in pay negotiations) for 15 out of 109 pay levels.

Competency management

A better management of competencies helps organisations improve the planning and the organisation of their workforce. In a Committee for Public Management Research (CPMR) report[14] researchers noted, "currently, competency frameworks are used as the basis for recruitment, selection, and promotion, and within a small number of departments, for performance management/appraisal and development". Since then, it is clear that within the Civil Service, competencies have been much more integrated into PMDS. The CPMR report underlines that: "the integrated approach emphasises the link between outputs and inputs, where performance management is concerned with accountability for the achievement of personal, team and organisational objectives, and competence management is concerned with identifying and developing the competencies required to achieve these outputs."

One of the main challenges with the implementation of competence management in career-based systems across OECD countries has been the confusion between managing competencies and managing performance. Managing competencies is no less complicated, but it is politically easier to implement in the Public Service. A number of countries have thus put great efforts into developing competence management, but have not always applied these efforts to their performance management. This situation has resulted in major investments in competencies that quickly become outdated. Individuals and groups end up designing programmes for improving competencies that are good for them but not necessarily for the organisations in which they work, and even less for the whole-of-government.

Mobility

Mobility is another very important tool in the process of building up capacity and adapting it to changes in government and organisational priorities.

As indicated, Ireland is not fully taking advantage of the possibilities created by its career-based systems. One of the core advantages of career-based systems is to permit a high level of internal mobility through promotions and/or lateral mobility. There seems to be a degree of mobility within systems themselves (for example, within the Civil Service) through promotions, but not across the different groups of Public Services. The accumulation of rather closed systems within the Public Service prevents such mobility from taking place. This is a serious matter considering the size of the country. The labour markets within government are thus extremely small and closed. Interviews held with the OECD in the course of this review indicate that possibilities for such mobility exist on paper but are rarely used, even, for example, for temporary lateral moves between local government bodies and the Department of the Environment, Heritage and Local Government.

Although there are no technical barriers to mobility across the different parts of the Public Service (such as major pay differentials or pension rights issues), the current situation is not surprising, as there are no incentives either. Employment time spent in other parts of the Public Service is not necessarily an asset to one's career. Measures could be taken to make mobility outside of one's original career group an advantage and an asset. In addition to increasing the available pool of talent for all organisations and giving staff a broader range of government experience, increased mobility could help to retrain or up-skill generalist staff for more specialised work (in ICT, HRM, accounting, etc.). Those staff, in turn, have the possibility of a broader career within a more integrated Public Service. Creating bridges and linkages between the different parts of the Public Service would also help reallocate staff across sectors as government priorities evolve and as changes to staff productivity free some sectors from some of their staff needs.

However, developing connectivities between the Civil Service and other parts of the Public Service and between the different parts of the Public Service calls into question the separation of the Public Service between different groups (see below).

Training

Ireland is focusing a great deal on lifelong training: 4% of payroll costs are set aside for training, although it is not clear whether that target is met across the Public Service and if there are any indicators of value for money. This is not so common among countries with traditional career-based systems. Such systems have traditionally not seen a need to provide their staff with common training after they were appointed. In past decades, however, in the advent of a knowledge-based economy where skills and competencies constantly need updating, the nature of training has changed. A large number of countries with career-based systems have had difficulties adjusting to this phenomenon, as there was little training capacity in place. This has not been the case in Ireland, which has not only made training one of its core priorities, but has also established clear and realistic targets in terms of budget allocation to training. Training can make up for the limitations of the career-based system, notably for the difficulties in having good skills in certain functions such as HRM and ICT, and in renewing staff quickly as needed skills evolve with the economy.

Ireland has developed a number of targeted training courses for its Civil Servants through the Civil Service Development and Training Centre (CSDTC) operated by the Department of Finance, and for both civil and public servants through the Institute of

Public Administration. A broad range of training, from focused 2 to 5 day intensive courses to part-time Degree or Masters courses are available free of charge to staff (costs are borne by the parent department or agency). These courses not only provide valuable networking opportunities for staff, but also ensure that staff can avail of targeted training as needed in specific areas of relevance to their current posting (*e.g.* Project Management, Policy Analysis, Regulatory Impact Analysis etc.). While these courses are well attended (in some cases over-subscribed), a challenge going forward will be to ensure following administrative relocation that all staff who require training will be readily able to avail of it – most training is currently provided in Dublin or in the new relocated offices of the Civil Service Development and Training Centre in Tullamore.

If Ireland is to move towards a more integrated Public Service, a policy facilitating increased mobility for generalist staff grades across the different segments of the Public Service will allow for greater sharing of skills and competencies. It will however also require new approaches and increased capacity within the existing training establishments to cater for both increased numbers and a more diverse class-mix. It may also require the development and delivery of newer courses to meet changing needs.

Capacity, performance and flexibility

Once capacity needs have been identified and filled by having the right number of staff with the right competencies, incentives are crucial in unleashing this capacity. Despite the difficulties of implementing staff performance management, most countries focus on staff performance in order to activate capacity. In the past twenty years, this has been formalised through individual and team performance assessments, and by the alignment of HRM tools (*e.g.* pay, selection and promotion) with the measurement and reward of employees' performance. In Ireland, most efforts have recently focused on creating a sustainable performance assessment system. The integrated Performance Management and Development (PMDS) system established in 2005 provides a first step in this direction by linking PMDS with wider HRM policy and processes, including assessment systems determining eligibility for increments, promotion and higher-scale posts. This system is still very formal. What has to be put in place is a long-term dialogue on individuals' performance that makes career development clearly determined by individual performance, a willingness to develop skills and competencies, and a collective understanding of what performance means.

The delegation of HRM responsibilities to managers has been important in exchange for greater performance accountability. Managers have limited accountability in terms of establishment control. This section will show that, in general, the level of delegation for the establishment of incentives and rewards is also relatively limited. This is more of a problem in an environment where there is little emphasis placed on designing incentives related to performance.

Performance in the HRM reform agenda

The *Delivering Better Government* (DBG) report stressed the need for greater performance orientation and for increased flexibility in the management of staff, including:[15]

- reducing the degree of central regulation and control of the Human Resource function and devolving greater autonomy and responsibility to departments/offices;

- transforming the existing personnel units to become more strategic and professional in their approach to Human Resource Management;
- developing and rolling out effective performance management, measurement and appraisal systems.

The recommendations were based on a presumption that the Civil Service would continue to operate as a unified organisation with common grading structures and common basic conditions as in the wider Public Service. It did not consider the constraints of this unified structure.

The DBG focused on developing a vision for change and modernisation in the Civil Service, a vision that would carry through to Public Service bodies under the aegis of departments. Changes in the performance management of staff in the rest of the Public Service were expected to happen by "osmosis", where knowledge from the Centre and parent departments would percolate through management structures to these wider bodies. Some elements of the Public Service have implemented management changes more effectively than others – the local authorities for example have followed a similar vision to DBG, as outlined in *Better Local Government* (1996) – but there is still variability in how different Public Service bodies have successfully articulated and implemented the HRM reform agenda.

Individual and collective performance assessments

PMDS

HRM reforms have put in place two major tools to assist line managers to better direct staff performance. Firstly, the new management structure enables them (and expects them) to link the objectives and strategy of the organisation to the jobs and tasks done by the people in their organisation, whether as individuals or as part of a team. Secondly, it enables them (and expects them) to develop and implement a Performance Management and Development System (PMDS) adapted to the business needs of their organisation, and to use it for a structured dialogue about performance and development with each of their employees. In order to do this, they also need to link their human resource management activities to their Business Plans.

The implementation of the Performance Management and Development System represents a structured response to the challenge of managing an individual's performance, career and development needs. While the initial focus has been on the alignment of individual and team objectives with those of the organisation, policies on mobility, promotion, training and development, and reward should also be based on a consistent approach to human resource management, and be supported by the PMDS. The 2002 report by the PA Consulting Group[16] considers that "PMDS has been a significant achievement" and clearly points to it as one of the most important achievements in HRM, which otherwise has been slower to reform than other components of government modernisation strategies.

The initial focus of the PMDS reform has been on ensuring that the new processes are put in place across the Public Service, however, little energy has gone into guaranteeing that these processes are really successful in changing government culture. The report in 2004 by Mercer Human Resource Consulting, *Evaluation of the PMDS in the Civil Service,* clearly notes a relatively high level of support among staff and managers for the implementation of PMDS, and success in achieving greater integration and clarity of

targets. It also notes, however, that there was limited dialogue on performance achievements between managers and staff and an absence of linkages between PMDS on the one hand, and incentives and rewards on the other.

In interviews with the OECD, some civil and public servants reported that the PMDS is often little more than a paper exercise that is not taken seriously by managers. In recent years, however, the weight of PMDS has increased significantly, with its integration in summer 2005 with other HRM policies. In the Civil Service, PMDS reviews are supposed to have an impact on decisions in relation to probation, increments, higher scale posts and promotion.[17] While the design of PMDS has not been delegated, PMDS reviews are a delegated process and thus imply a higher degree of managerial role in individual staff careers.

The PMDS has been implemented unevenly across the Public Service, with a relatively slow up-take in the local government sector (but catching up), and a more collective approach being implemented in the health and education sectors (albeit slowly). The sector plasticity in the implementation of the PMDS is commendable and the requirements of its implementation are in line with the developments of performance management systems across OECD countries in recent years. Indeed, while there used to be a high degree of centralisation in the design of performance management systems, countries are now decentralising the design of their systems.

A large number of countries have recently started to consider implementing a more collective approach to performance assessment, and a number of countries (Finland, Korea and the United Kingdom) have started to consider an increased use of collective performance rewards.[18] In addition, there is a recognition across OECD countries that individual performance assessment is more difficult in sectors where the assessment of organisational performance is more difficult (*e.g.* in sectors with a multiplicity of less quantifiable products), where individuals act relatively freely in their own practice (*e.g.* teachers), and where managerial authority on the assessment of performance might be often seen as inappropriate (*e.g.* health and education). So too, in Ireland, it is difficult to conceive individual performance assessment in sectors where organisational performance assessments are not carried out, mainly for cultural reasons (*e.g.* for schools). The Department of Education and Science in Ireland is taking a very careful and limited approach to PMDS, aiming at mainly handling serious individual underperformance (prior to the latest national agreement, the only tool available to handle serious underperformance was through early retirement). Individual performance assessments seem to be better developed in third level education. As for the health sector, they have made the decision to implement a more collective approach to performance management, which is likely to be legitimate in Ireland today.

Performance verification

All Partnership agreements since 1996 have made the sum of agreed pay increases dependent, at the sector, organisation and grade level, on verification of co-operation with flexibility and ongoing change. This includes satisfactory implementation of the agenda for modernisation set out in the Agreement, maintenance of stable industrial relations and absence of industrial action in respect of any matters covered by the Agreement.[19]

Performance Verification Groups (PVGs) for different sectors (*e.g.* health, Civil Service, education, local government) were established with independent chairs and equal

numbers of management, union and independent members to make recommendations as to whether or not pay increases should be made primarily based on an assessment of progress reports submitted by participating organisations.

In the vast majority of cases, PVGs have judged that progress on modernisation has been sufficient to allocate pay increases. In some cases, issues were solved before PVGs made their final recommendation. This approach has secured the stability of industrial relations, as well as a high level of pay increases.

Ireland is an interesting country example where there are *de facto* linkages between individual and group performance-based management, but these linkages need to be further strengthened and made more explicit. "Performance Verification", in fact, is something of a misnomer because the PVG's focus is on compliance with the modernisation process, rather than on any real performance improvements. This is a source of confusion in terms of what *performance* as opposed to *modernisation* means. The link between the verification process checklist and organisational performance is implied, rather than demonstrated. Signals to individual staff are thus unclear, and the multiplicity of processes, with different views of what performance might mean, blurs the cascade of objectives and targets.

As no explicit link has been made by the Partnership agreements between modernisation and the targets established in the various target-setting exercises, it is likely that the symbolic messages to staff on what needs to be achieved are ambiguous. The experience of OECD member countries shows that it is difficult for performance management systems to focus on too many processes at the same time.

Delegation and individualisation of pay

Pay is very important in terms of the capacity of the public sector to attract and retain competent employees. In addition to the reward dimension, a recurrent feature of the modernisation of the public administrations in OECD member countries is a growing need for more differentiated pay setting. Both the labour market and public activities have become less homogeneous, and public administrations need – just like any other employer – to develop pay setting arrangements that are sufficiently flexible to enable an adaptation of pay systems and pay structures to the:

- specific situation and requirements of each organisational unit;
- specific skills, merits and performances of each employee; and/or
- competition for skills on the specific labour market.

As pay systems become more flexible, centralised pay setting becomes less rational and less efficient, since a differentiation reflecting individual competences, performances and business needs has to be based on information provided by and held at the local level. Indeed, a CPMR report observes that "… it is evident that the extent to which HRM policies will be decentralised is likely to be limited as long as the existing unified pay and grading structure is retained …".[20]

There is extremely limited delegation of pay-setting and few examples of individualisation of pay in Ireland. The case for differentiation and decentralisation of pay setting is weaker in a classic career-based Civil Service (Box 4.1), where a corps of generalists is expected and encouraged to move between different parts of the Public Service. The case for pay differentiation and decentralisation is stronger, however, in a Public Service that only has recruitment into specific positions. Should the Irish

government decide to move towards a more position-based system, then it should give consideration to delegating pay and increasing pay differentiation (see also section on *Delegation and individualisation of pay*).

A reasonable step towards pay delegation would be to determine skill deficits and allow departments to pay extra salaries to attract those skills into Public Service employment. A large number of countries have allowed such exceptions in the fields of ICT or management.

The options for linking individual pay to individual performance are limited. Pay levels are strongly centralised. Only at the highest Civil Service levels (*i.e.* Secretary-General, Deputy Secretary-General and Assistant Secretary-General) is pay differentiated and takes pay and performance into account, among other things, performance. Agency boards theoretically have the opportunity to reward good performance but rarely do so. In the rest of the Public Service there are no records of experimentation with performance-related pay. The employer at individual, departmental or office level can also withhold normal progression in the salary scale for any civil servant, if his or her performance is sufficiently unsatisfactory, although this happens extremely rarely. Some national agreements contained provisions for the payment of additional increases based on criteria that would be determined by individual departments. Departments and agencies can also give minor pay or "merit" awards to individuals or teams in recognition of good service, or service over and above usual requirements. It seems, however, as if line managers have been uncomfortable with singling out individuals, and the available envelope has sometimes been used for collective benefits.

Steps have been taken in Ireland to introduce a degree of performance orientation in the pay system. The year 2000 Partnership agreement, *Programme for Prosperity and Fairness,* acknowledged the need for greater flexibility in existing systems of both pay and grading. It recognised, *inter alia*, the necessity to examine issues such as "flexibility in grading, including broad-banding, complemented by imaginative reward and recognition systems, including an examination of gain sharing".[21] Later Partnership agreements have been less explicit in this area and little seems to have come out of the joint examination of these issues.

Differentiated pay setting is a demanding activity, and one in which most operational managers have no experience. This is especially true for classic Civil Service systems, where managers and staff normally belong to the generalist cadre, and where all forms of differentiation run counter to the collegial relations within the cadre.

One should also be aware of the negative effects of arbitrary or subjective pay setting. Unless the motives for differences in pay levels and increases are understood and accepted by the employees, differentiated pay setting can also lead to increased discontent and alienation in the workplace. This would weaken the ties between the employer and the employee, lead to lower retention rates, and negatively affect workplace morale and efficiency.

The case for delegating pay setting in Ireland is weakened by the fact that public service managers, in general, lack any experience of pay setting. On the other hand, they will never gain any experience unless they are given some scope for delegated pay setting. Models of delegation of pay vary across OECD countries with different levels of bargaining and varying degrees of centralisation (with, for example, in New Zealand and Australia, common bargaining parameters and common remit and full delegation of actual pay

bargaining to sub central units; and two-level agreements with a central agreement and sub-central sectoral individual agreements in Denmark, Finland and Sweden). With good financial safeguards and investments into managerial capacity, Ireland may want to move towards more delegated pay bargaining. The individualisation of pay is probably more difficult, involves a long learning process and requires senior management that are able to handle sophisticated management systems. Reforms in this direction will require building up and professionalising internal HRM. A first step could be to replace discrete levels in the pay scales with pay bands, and to authorise departments and agencies to set individual pay within the relevant band, in some sectors or in some agencies that are deemed ready. It would also be useful to determine skill deficits and allow departments to increase salaries to bring those skills into the Public Service, as has been experimented in many OECD countries.

The budget procedures should also be reviewed in connection with such a step. Any form of delegated pay setting should take place within a closed economic envelope; either in the form of a maximum amount available for locally determined pay increases, or in the form of a strict affordability restriction based on separately determined budget envelope.

Promotion

Traditionally in the Civil Service, promotion has been the main form of reward and recognition available and this has normally been awarded on the basis of a combination of suitability, performance and seniority. There is no structure to ensure that an individual who may not be promoted in the short- to medium-term (due to lack of vacancies for example), is still able to benefit from career development. In the wider Public Service, staff have limited career options. In addition to the small size of the country and thus of its government, there is no career promotion mobility within the wider Public Service, even for generalists, and there is little mobility outside of the Civil Service. In some organisations, such as agencies, there are concerns about the sustainability of staff motivation in a context where there are virtually no possibilities for promotion internally, and where external mobility, even to other agencies working in a similar sectoral area, is very limited.

Ireland's generalist system has the disadvantages of both career- and position-based systems. Some parts of the system are too divided by subgroups, which limits opportunities for high performing staff to have good careers in other parts of the system. Lifelong guaranteed employment and good benefits also make careers outside of the Public Service an unattractive option. This situation could be significantly improved by opening up different groups to external promotions and by implementing a policy aimed at promoting cross-organisational mobility especially between the Civil Service and the wider Public Service. This calls into question the decision to maintain separation between the Civil Service and other groups in the wider Public Service, a decision based purely on organisational boundaries. Generalist staff across the Public Service whose employment is ruled by the same regulations should be able to have cross-government careers.

Aligning reforms with strategic objectives

The Irish Public Service has evolved considerably, but despite the vision set out in DBG it has responded to real concerns, such as the call for more openness and dialogue, in a piecemeal fashion. The values and incentives of the system are thus rather incoherent. At the same time, it has not capitalised on many of its strengths, such as aligned structures,

processes and pay grades, which could be used to promote greater mobility within the system.

Rather than reinforcing the existing career-based system through active career-long management of staff and increased mobility across the Public Service, since the DBG report was released, the government has chosen to take steps towards a more position-based system. This has occurred as a result of incremental changes over a number of years, such as in Social Partnership agreements. There is no sign of systematic deliberations or systemic strategies behind these changes.

Making strategic choices and consistent decisions about system openness

Towards more openness outside of the Public Service

The present trend in the reform of the Public Service recruitment system (excluding teachers and consultants whose recruitment follows specific rules) is one of incremental increases in the share of open recruitments above the level that used to be regarded as the normal entry level in the Civil Service, and the increasing use of lateral entries in the wider Public Service, especially in agencies. In addition, there have also been reforms aimed at widening the pool of candidates from which to choose for promotion in very closed systems such as the Civil Service, while the wider Public Service has always had a rather mixed system. A continuation of these trends over time would transform the system to a position-based system.

The main risk of increasing flexibility while retaining a career-based structure is that systems may move towards "department based systems". In those cases, increased HRM flexibility given to departments results in a series of closed career-based systems at the level of departments/agencies. Departments and agencies get more room for manoeuvre in recruitment and promotions, but the incentives structure is such that staff continue working within sub-groups. It ends up with neither the advantages of a career-based system – whole of government culture – nor of a position-based system – easy access to new skills, competition among staff, and easier performance management. In order for the Irish government to continue along the path of opening systems to the outside world, it is crucial it give priority to pay and grading, that is, increase delegation and individualisation, and to open most posts to all across government organisations.

Or preserving the existing system?

If, on the other hand, the Irish government wants to retain a more coherent system for the core Public Service, then it should initiate measures to reinforce its existing characteristics. This would include systematic career management, which involves encouraging and assisting core public servants to move posts at reasonable intervals in order to broaden their experience. All promotions below the top two levels should be interdepartmental in order to strengthen the system's generalist nature. Careers should become cross-governmental and include jobs in the wider Public Service. Furthermore, the government should consider the senior management and leadership issues discussed below.

Overall, the two discernible weaknesses of the recruitment system lie in the absence of departmental workforce planning and in the absence of systematic career management within and across departments. Apart from executive searches, departments seem to be investing relatively lightly in the recruitment process and the pre-recruitment period. This

is an opportunity for major influence on departmental HRM – by better adapting the recruitment process and criteria to individual departments' needs – which departments do not seem to be fully taking advantage of.

Secondly, promotions across groups of public servants are rather rare, and careers are carried out within sub-groups (*e.g.* the Civil Service, local government sector, etc.) of the Public Service, with very few career opportunities outside of one's original group of entry, including, for example across local government bodies. In addition, within the Civil Service, all entry posts are not of equal value, and an applicant's future career prospects are strongly influenced by which department or office he/she is posted to as he/she enters the Service. As in other countries, the reputation of departments varies, and the type of posts to which one is assigned to also has an influence on future career prospects, both in terms of promotion prospects and the width of possible opportunities. This is not a problem in a classical career-based system where this is offset by the fact that new civil servants are re-posted after a reasonable time in the first post in order to broaden his or her experiences.

Open competition for promotions (for example, within the Civil Service) may weaken the cohesion of the Civil Service since it introduces an element of position-based recruitment into the system. Alternatives would imply considering these posts as non-Civil Service posts, or getting rid of the firewall that distinguishes the Civil Service from the wider Public Service and opening all posts to competitions for public servants only.

If the government wants to maintain career-based systems only, then it should abolish the possibility for an organisation to reserve some promotion posts for existing employees, and it must ensure that all promotions within the Civil Service system, and even within the Public Service, are open for all civil servants regardless of their present post. All other public employment should be open for all applicants regardless of their present occupation or post.

The present model authorises public organisations to handle their own recruitment under a formal revocable license. Although there has been a low take up of these licences, this model should be maintained in order to provide some institutional competition. All recruiting organisations should be encouraged to use appropriate pre-screening procedures in order to streamline the recruitment processes.

Workforce planning and systematic career management are also needed to improve mobility within the Public Service as most changes in post usually occur upon a promotion. Increased mobility is needed in order to give public servants the breadth of experience that is needed to operate in a more performance-driven environment that requires them to think in terms of shared responsibilities for common outcomes rather than organisational outputs. It would also greatly assist in developing the whole-of-government perspective among all public servants. The experience of OECD member countries shows that as government moves in the direction of more delegated financial and personnel management and increased focus on performance management, one of the *sine qua non* conditions for a successful change is the move from *ex ante* control by line department to *ex post* dialogue between line department and delegated bodies. The quality of this dialogue depends in part on the experience that managers in line departments have of management in the wider public sector and vice-versa. This will require that the government make additional effort to facilitate mobility across the Public Service for generalist staff and senior managers by making possible cross-Public Service career paths (see chapter on Performance and case study on Managing Agencies).

Strengthening the HRM function and HRM skill set

Both a successful implementation and the overall impact of the new human resource strategy obviously depend on the commitment of senior management, personnel sections and line managers, as well as on their ability to manage and implement change on an ongoing basis.

Commitment of senior managers

In terms of delegation of authority and responsibility, the implementation and overall impact of the DBG strategy will depend on the capability and commitment of senior and line managers. Traditionally, as they have developed through generalist ranks, however, existing managers have lacked experience in active human resource management. One can safely assume that they were not prepared for the new dimension to their management roles proposed in DBG.

A discussion paper from the CPMR[22] has suggested that there are three key requirements for the devolution of human resource management (HRM) to line management:

- training and development of managers to equip them with the appropriate skills and knowledge required to deal with HRM issues;
- the provision of incentives for managers to take on responsibility for HRM issues, for example, through the incorporation and measurement of such activities into the performance appraisal/performance management and business planning process; and
- an ethos where HRM activities are visibly valued by senior management. They must be prepared both to reward and value line managers who place a priority on people management activities.

The extent to which these measures have been implemented is uneven. Efforts have been made to strengthen the executive training and capability building process, not only in the Department of Finance but also in other organisations such as the Department of Enterprise, Trade and Employment, the Department of Justice, Equality, and Law Reform, the Office of the Revenue Commissioners, and the Department of Social and Family Affairs. Finally, the Performance Management Development System (PMDS) seems to be increasingly used to assess the managerial capacities of managers. There is little evidence, however, that more has been done beyond these initial efforts.

For line managers to become agents of change, they need to feel empowered in the human resource area and thus develop departmental capacity in this area. There is a clearly identified need to further delegate authority of HRM. Managers should be made more responsible for achievements in this area. HRM goals should be aligned with the strategic goals of their unit.

Departmental capacity

The current state of workforce planning reflects more general management arrangements which are very centralised in Ireland. Departments, agencies and local authorities have residual power in workforce planning, but the Department of Finance retains authority in decision-making on departmental numbers (a "political issue") and departmental compensation (an "administrative issue"). Grading and pay, on the other hand, are decided collectively and centrally through the Partnership process. Within these very tight limits, departments, agencies and local authorities are free to decide on grading

and promotions. Apart from the Civil Service, the recruitment process is more devolved in Ireland with most agencies, schools boards and hospitals, for example, fully responsible for their recruitment procedures.

The level of centralisation seems to be relatively consensual across central departments, local government and unions. In the absence of a clear expectation that budget allocations will be adhered to, there is a large risk that further HRM delegation, absent other conditions, would lead to increases in employment numbers and compensation costs in the Public Service. As the move towards output/outcome based management has just begun, strategic capacity for allocating resources and clear accountability for results achieved need to be reinforced. With guaranteed lifelong employment as a general rule in the Public Service, there is indeed little flexibility for managers to readjust the workforce once new staff have been taken on board.

According to the Department of Finance, this task is delegated to departments. It is worth considering what incentives to carry out such strategic workforce planning are in place for department heads and their management teams in an environment where decisions on numbers, compensation costs and grades are all centrally determined. Apart from a few large departments offices (for example, Revenue or the Department of Social and Family Affairs), officials recognise that departments do not carry out strategic workforce planning and have not invested in their capacity to do so. In many cases, HRM units remain administrative units that deliver personnel services rather than strategic HRM.

In the health sector, strategic thinking in human resource management seems to have taken place through the creation of the HSE. Before the transition to a more centralised health system, HRM was not only divided per profession but also fragmented across regional health boards. Since the plan to create the HSE and recentralise the management of health systems, a whole-of-health perspective on skills and competencies has emerged. An impressive programme of re-skilling and upgrading all categories of staff is presently taking place, with a view to ensuring that the appropriate skill-mix and team mix is available to cater to citizens accessing medical care at primary, community or hospital level. Many challenges, however, still need to be addressed. Although Ireland is certainly not ageing as rapidly as its neighbours, the increased attention given to human resource management presents an opportunity to plan for the future.

The picture is different in the education sector where reforms in skills mix and competencies seem rather limited, while long-term workforce planning in numbers appears to be quite developed. This is probably due to the difference in the governance environment, with individual school management boards being fully responsible for recruitment and promotions.

As expected, the type and quality of strategic workforce planning seem thus to be related not only to the size of a sector, but also to its governance structure. Sectors with fragmented management and few reporting lines to central departments tend to have weaker workforce planning. However, this is not necessarily an argument for a recentralisation of authority, but an indication that delegated authority might not always be implemented through an optimal governance framework.

In general, however, some question the existing capacity in departments to manage human resources. O'Riordan[23] notes the quasi-reluctance of departments to use the few responsibilities that have been delegated to them. In Ireland, the HRM capacity situation is quite unique. According to some, the generalist career-based system limits the capacity of

departments to manage HRM, while others note that agencies, which, in theory, could hire HRM specialists from the outside, are too small to have sufficient HRM capacity.

A common trend observed in many OECD countries is that there is a need for developed Service Management approaches in service delivery organisations and for a deeper specialisation in certain professional fields such as financial management, information technology, and human resource management. A classical career-based system has serious problems in handling these challenges. One approach to build up the necessary specialist skills would be for the government to initiate a systematic review of the non-core tasks and functions in departments that could be transferred to non-core agencies or be handled by specialists outside of the core Civil Service. The provision of these shared services would allow for the development of greater HRM expertise that is currently being hampered through fragmentation. An additional challenge, however, will be to provide these specialised staff with career opportunities. It is thus necessary that these staff have the possibility of an intergovernmental career across the different groups within the Public Service.

In order to allow human resource management to play a strategic role in support of a more decentralised and delegated HRM system, it needs to be professionalised, and the key positions in the line organisation filled with human resource management specialists rather than generalist public servants. Attention should be given to provide these staff with possible careers outside of the core civil service for career management purposes, and also to maintain a cross public sector culture of HRM in the context of future further delegation of authority in HRM. Management ability should become a necessary condition for promotion.

Strategic reform

For reforms to be sustainable, they need coherence and strategic vision. As discussed earlier, the strength of the current reform process is the collective sense of ownership created through Partnership. One of its weaknesses lies in its lack of a clearly articulated strategic development path to inform both employers and the citizen. Decisions about degrees of openness of systems, the size of public employment to deliver new priorities decided by government, and maintaining different closed groups within the Public Service (including the Civil Service) have not been made explicitly. When they have been made implicitly, the rationale of the reforms is unclear, and in some cases, incoherent. There is thus a need to make transparent the strategic choices on these issues, and to involve both policy makers and senior management.

Reforms in the Public Service have been expected to follow reforms in the Civil Service, almost automatically. Some sectors have, however, implemented reforms with strong sector specificities. This is the case in the local government sector, for example, where there has been a strong emphasis on deepening Social Partnership for implementing change, or in the health sector which has been recently reconfigured. It is notable that there has been little strategy involving HRM modernisation changes, apart from measures included in Social Partnership. Department officials recognise the leading role of the Civil Service in this matter. This is rather unusual by OECD standards, where, in fact, many of the most innovative HRM practices have emerged from non-central Public Services. In a context of agencification and further delegation of responsibilities, it does not seem to be a sustainable way of implementing change in the future. In a more delegated environment, it will be important that staff "own" their reforms and it will be more difficult to suggest change through a centralised vision of reform. Indeed, with the creation of agencies, the

increased differentiation of HRM systems, and the increased delegation of managerial authority predicted for the future, the influence of management of the Civil Service on other parts of the Public Service will be more limited.

Towards an integrated Public Service HRM system

The main drawback of a typical career-based system lies in its inflexibility; it is difficult to get new skills into the Public Service. The main advantage, however, is that career-based systems tend to have systematic and proactive staff career management across government organisations, have a high level of organisational knowledge about their staff, and can carry out whole-of-government workforce planning.

As explained earlier, one of the main advantages of a career-based system is the possibility for governments to manage a workforce with a whole-of-government perspective, thereby fostering a Public Service that shares common values and references. The division of public servants into a multiplicity of sub-groups, with few career/mobility opportunities outside of their original group, however, creates unnecessary rigidities. This results in a system that benefits neither from the advantages of a career-based model,[24] nor from its position-based aspects. There are notable difficulties in implementing performance management and difficulties in reallocating skills within the Public Service. In addition, strategic workforce planning requires sophisticated management skills that can rarely be found in some parts of government, especially in small organisations or local government, where strategic workforce planning is even more limited.

Cross-sectoral mobility is needed, but among the relevant unions there is a predominant view that the system should not change and that each sub-group should continue to be managed in a very similar, but completely separate fashion. The union viewpoints can be interpreted as stemming from differentiated acquired benefits across sub-groups. It probably represents a fear that opening up the cadres might increase competition and decreases one's chances of promotion.

Senior executives and leadership

In recent years, across OECD countries, governments have placed emphasis on the organisation of senior management and on the strengthening of leadership in the Public Service. In open and flexible systems, reforms have not only aimed at better managing their performance and making senior managers accountable for the performance of their organisations, but also at strengthening the common culture among senior managers, and strengthening their career paths across public organisations. In more closed systems a number of countries have started to open up their recruitment in order to broaden the skills available to government and to make them more accountable for the performance of their organisation. In all systems, strengthening leadership has been viewed as a way of recruiting, developing, and rewarding individuals who can make change happen, and in a sustainable manner.

In theory, in career-based systems, there is usually no need to formalise the creation of a "senior public service" as careers are managed in such a way that there is lifelong development of senior managers. The main drawback of these systems is that they have difficulty bringing in new skills and the lack of competition from the outside may make the group of senior civil servants resistant to change and lack responsiveness.

In Ireland, however, the situation is different, both in the Civil Service and in the wider Public Service. For senior executives, it has few characteristics of a career-based system. For

a number of posts, recruitment to this level is uncoordinated and open, and handled by the relevant departments. Little seems to be done to identify suitable candidates for promotion or to provide managerial training for these persons. A comparison can be made with a number of OECD countries, including the Netherlands, which recently replaced a similar system with a co-ordinated and centrally managed system that was designed to implement standardised competency assessments and career planning for the country's top managers. The key benefit of this reform was the improved cohesion among top managers in different Departments. Ireland has already moved in this direction through the creation of the *Top Level Appointments Committee (TLAC)* and could possibly benefit from further reforms in this area.

Within the Civil Service, the central management of a senior executive cadre should be augmented. This may involve an amendment of the appointment procedure so as to ensure that both general and task-dependent qualifications are taken into account. Intense managerial training should be provided, as well as combining permanent employment with limited terms at each post. In addition, identifying potential leaders could also help develop effective leadership for the future.

There is a need to recognise the specific HRM challenges of managers and leaders. While a number of initiatives are underway to address the specificity of the management of executives (with the opening up of some management posts in the Garda and in the local government sector, for example, and some specific initiatives in developing leadership), there seems to be no government-wide recognition of the fact that leadership should be developed differently than through the HRM of lower ranking staff. It might be due to the difficulty in opening up posts to lateral entry that used to be promotion opportunities for public servants of the different groups. Rather than putting the emphasis on getting in private sector managers, which remains a marginal recruitment strand in most sectors of OECD member countries, the government should consider a government-wide Senior Public Service, with careers across the different parts of the Public Service.

A recent article by Joe Wallis and Linda McLoughlin[25] reports the results of a survey on leadership capacities across the public sector in Ireland. The results broadly indicate high scores of senior managers on traditional skills, behaviour and process management, risk mitigation, technical expertise and strategic decisions (except in the local government sector where they rank lower). However, they seem to rank medium to low on a number of leadership skills and behaviours referring to innovation and adaptation to change, independence of decisions, and willingness to take risks (except in agencies where they rank higher). Moreover, while relatively approachable by their staff, good team players, and good and dedicated implementers of decisions, senior managers seem to be using little "persuasion" or "enthusiasm" as a management tool.

The results are not surprising and confirm that improving leadership is not only a question of identifying and developing skills and competencies, but also of building incentives for "unleashing" leadership through the delegation of further responsibilities. The higher ranking of agency senior managers on some of the criteria is telling in this regard. However, this delegation of responsibilities should always go hand-in-hand with a stronger emphasis on performance management of both organisations and senior management.

Strategic choices and the administrative relocation programme

The government administrative relocation programme affects the entire Public Service (see section on administrative relocation in the chapter on the Irish Public Service),

and will mark important changes for public employees in the future. Indeed, one of the consequences of administrative relocation is that a localised Public Service market will very likely be *de facto* created in areas where central government offices have been relocated. It is very important that administrative relocation is accompanied by measures aimed at facilitating and promoting cross-organisational careers across the Civil and Public Service. This will ensure that the relocated bodies have adequate access to qualified staff, and provide for the development of competencies through staff mobility.

The administrative relocation programme is a major challenge for workforce planning. In theory, it could be used as an opportunity for increased strategic workforce planning. In reality, however, interviews and discussions held by the OECD in the course of this review indicate that as departments and offices seek to bring in staff who are going to relocate, and to redeploy staff who are choosing to remain in Dublin, this is not happening. In addition, discussions with both Public Service trade unions and senior management, indicate that the effects of the administration relocation programme on morale in the Civil Service, and the major challenges created by maintaining sectoral knowledge and capacity in the context of very high staff turnovers, are in fact, hampering any effort to improve workforce planning.

The administrative relocation programme will also require significant adjustments to the Irish Public Service. The cohesion of the predominantly Dublin-oriented Civil Service is likely to be weakened as the central government departments are relocated to a substantial number of locations across Ireland. One unintended effect may be the replacement of a single comprehensive Civil Service cadre with a number of different regional or local cadres, since many civil servants are likely to limit their search for new posts and for promotion to openings within their own region.

While administrative relocation is a major disruptive challenge for HRM in government departments, it can also be seen as an opportunity to rethink the divisions of the Public Service as a whole and to create a whole of Public Service labour market. It seems very important, however, that any discussions on administrative relocation are accompanied by strategic choices regarding the future structure of the Public Service and future career opportunities and staff development.

Core values[26] and Social Partnership

In Public Services, core values can be explicit and formalised or implicit. Core values are those elements of the Public Service that demonstrate the beliefs held about the way the service, and the employees within it, should operate. The behaviour of public servants seems to be determined less by formal sanctions and incentives than by values that are established in their hearts and minds.

Management systems support core values and management reforms can only be successful if fully aligned and consistent with core values. Most importantly, well-defined values that are in keeping with government practices are essential to maintaining trust in government. They reflect the goals of the Public Service, help design collective and individual objectives, and maintain collective culture and government consistency. Changes in core values can illustrate the reforms taking place in the Public Service, and can also be a measure of the success or failure of these reforms.

In the past 15-20 years, three types of changes have taken place in OECD countries:

- First, countries have given a renewed emphasis to the importance of rethinking their core values in their public management reforms. As such, many countries have carried out work aimed at formalising core values. This formalisation is all the more important as Public Services move away from traditional management towards more flexibility, where it is more difficult for core values to be internalised. Indeed, these core values not only provide some glue to more differentiated groups within the Public Service and across different management styles and reforms, they also provide a reference point for all staff so that traditional core values (*e.g.* equity, integrity, etc.) are not lost in the process of modernisation. Most importantly, when moving towards increased flexibility and fewer controls, governments have found it crucial to restate core traditional and new values to provide an ethical framework for staff behaviour.
- A large proportion of OECD member countries have been incrementally changing their core values to include user-orientation, increased individual responsibility, and focus on outputs and outcomes.
- HRM policies have increasingly referenced restated core values in order to increase their leverage on staff behaviour.

In Ireland, the Social Partnership agreements, for example, are an important vehicle for developing consensus and for publicly stating the core values of the Public Service. Accepted and evolving core values seem to be implicit in Partnership agreements, in which the complexity of the management of the Public Service is well reflected. However, as discussed earlier, strategic choices regarding the type of Public Service system that Ireland would like to have in the future have not been made. Moreover, changes that have been made in public servants' management will have consequences on core values.

Statement of core values

Agencification, opening up recruitment to lateral entries, and most importantly, administrative relocation, will all have a crucial influence on core values. These major changes will require an active restatement of core values and an assessment of these changes on other core values, such as merit appointment. Other values that seem important to the Irish government, such as maintaining a career basis to the Public Service system, and clarity of the Public Service system, will inevitably be called into question by these changes. Understating these changes and their consequences on the structure of the Public Service system will blur core values and undermine the effects of management changes.

Restating core values and aligning management changes to these values is likely to reduce the risk of inconsistencies in reforms. In that sense, it is possible that Ireland would gain by restating its core values in order to make the following more consistent: 1) opening up of the career-based system and emphasis on performance management, and delegation of authority; 2) Public Service recruitment limits and strategies to improve efficiency; 3) merit-based appointment only (*i.e.* very little politicisation), and responsiveness of the Public Service; and 4) the partnership system and increased flexibility.

Finally, although the decision to embark on a programme of administrative relocation of the Civil Service (and some elements of the Public Service) does not seem to correspond to the current set of core values, but it will inevitably lead to major changes. The decision to undertake this programme may have been better received if it had corresponded to a well-defined "philosophy" about the Public Service.

HRM in the Irish Partnership Agreements

HRM in Partnership agreements

HRM has been at the core of the Partnership agreements between government and unions, and at the heart of negotiations on the modernisation of government and service delivery.

The Partnership process is an interesting example of the management of modernisation, however, there seem to be some difficulties in reaching out of government and unions on Public Service issues. Indeed, unions emphasise that, while staff have had to accept difficult reforms in addition to effective limits on their numbers in times of increased service delivery, the Irish people have not been put in a position where they can make links between these efforts and services delivered in a cost efficient manner. There is thus a perceived high level of dissatisfaction with public services in the Irish population which is disconnected from public servants' efforts to modernise.

Modernisation strategy processes documents, such as SMI and DBG, as well as the Partnership agreements, make insufficient linkages between Public Service reforms and increased and/or improved outputs in Public Service delivery. The need for modernisation seems to be disconnected from wider thinking on service delivery. There appears to be a consensus among unions and government that "the Public Service needs to modernise". The reasons for this perceived need for modernisation, however, are unclear.

In the different strategy documents and Partnership agreements, the modernisation of HRM appears as a stand-alone feature. One of the exceptions is clearly the health sector, where HRM has been reconceived as part of the reorganisation of the health sector.

Box 4.3. **Key recommendations**

Unify government labour markets and further enhance the mobility of personnel

The Public Service should set out to *increase its strategic planning capacity throughout the Public Service* at all levels by promoting an integrated Public Service perspective in key staff. This can be done through secondments or exchanges. But it is not sufficient to just provide for these opportunities; the diversity of experiences must also be valued and publicly recognised as an important input to the Public Service. This means defining competencies and identifying hiring and promotion criteria that are not, in themselves, defined by traditional public service career paths.

The government should remove *the traditional divide between Public Service labour markets in order to create a unified Public Service labour market and to expand the mobility of personnel* across the Public Service. This step will reinforce overall performance by increasing promotion opportunities for good performers. It is also important in the context of the administrative relocation programme, which will lead to the creation of regional labour markets. The priority should go to the promotion of *careers across Public Service organisations* – especially careers between agencies and central departments. In the longer term, the government should decide strategically as to the nature of its Public Service system, especially regarding the level of *openness of the government labour market to non-public servants* –thus moving it towards a more position-based system.

Box 4.3. **Key recommendations** *(cont.)*

The value of opening the Public Service labour market would be improved through increased delegation and individualisation of pay levels. Ireland could achieve this by moving towards more delegated pay bargaining, provided that financial safeguards and investments into managerial capacity are in place. A first step could be to replace discrete levels in the pay scales with pay bands in sectors and/or agencies that are deemed ready, and to authorise departments and agencies to set individual pay within the relevant band. It would also be useful to determine rare and needed skills and to allow departments to increase salaries to bring those skills into the Public Service, as it has been experimented with in many OECD countries. Models of delegation of pay vary across OECD countries with different levels of bargaining and varying degrees of centralisation. For example, New Zealand and Australia use common bargaining parameters and common remit and full delegation of actual pay bargaining to sub-central units. Denmark, Finland and Sweden use two-level pay agreements with a central agreement and sub-central sector individual agreements.

Given the current rigidities within the Public Service, the Public Service may also wish to consider how it can best build up centres of competence where skills can developed and shared, either centrally or in a distributed fashion.

Increase flexibility and managerial delegation, supported by strengthened staff performance management

The current level of *ex ante* controls on personnel costs should be replaced by stronger requirements to measure and report on performance and overall financial results. While this is a gradual process, this is a necessary step towards building a more performance-oriented Public Service and for building departmental capacity in strategic HRM.

Further delegation of managerial responsibilities to senior management, as originally envisaged in the SMI, should be implemented incrementally, as performance management and reporting is strengthened at the organisational level.

The government should *continue to develop the Performance Management Development System (PMDS)*, and to evaluate the process regularly in order to encourage its adoption by both staff and managers as a framework for a performance dialogue. For staff performance management to be fully effective, however, the Public Service should clarify the cascade of performance targets in order to send clear messages to staff on explaining exactly what performance means, strengthen the incentives for good performance, and further formalise and organise the links between performance assessment and careers.

Ireland should continue to take a careful approach to the expansion of performance-related pay, as it requires performance metrics that are not yet developed in the Public Service. A first step in this direction would be through team-based performance awards and pay bands, as noted above.

Improve HRM capacity and strategic capacity in HRM

HRM reforms should be seen not only as a modernisation of processes, but should also be linked to statements as to how the government should function. That is, how should the HRM evolve to adjust to the agency system, or delegate managerial authority? How structured should it be? How open to lateral entries should the systems be and why? How representative of the wider society it should be? And, most importantly, how does HRM contribute to the achievement of pre-determined outputs and outcomes of public policy?

While creating immediate difficulties in maintaining and renewing capacity, the *administrative relocation programme* will also impact tremendously on the organisation and values of the Public Service and on regional labour markets that have not been stated. Its implications should be core to any new thinking on HRM.

Box 4.3. **Key recommendations** *(cont.)*

The Partnership process has been a tremendous driver for change in the Public Service. If Ireland is to move towards more sophisticated HRM, however, the Public Service – through the Centre – must be in the driving seat for devising strategic HRM reforms, and provide a clear vision of the connections between the features of the HRM system and business objectives of the Public Service and the programmes for government.

While some workforce planning is taking place at a sector and sub-sector level, the Public Service should better develop long-term workforce planning in the context of the ageing of the Irish population and the Irish Public Service in the years to come. This includes: 1) The reallocation of human resources across sectors resulting from an increased demand for additional staff; 2) a new division of labour between government and the private sector in terms of public service delivery; 3) the need to take advantage of departures to bring in new skills, decrease staff numbers in some areas and change the allocation of staff across sectors; and 4) the necessity to maintain institutional memory and replace capacity when staff leave.

Functional reviews of Public Service capacity by sector would help the government better assess the capacity it needs to deliver public services which match the level of economic development and society's demands for improved quality. In addition, as Ireland moves to implement performance-based management, to delegate managerial authority, and to increase differentiation among staff, it should make a major effort to professionalise its HRM functions. This will require bringing in new skills from the outside in HRM, and additional investment into HRM capacity.

Invest in senior management, leadership capacity, and core values

In order to support Public Service values, the government would gain in the long run by creating a Senior Public Service, along similar lines to those established by other OECD countries, such as Australia, Canada and the United States. Such a group should be based on its own specific recruitment and promotion procedures, such as creating "fast tracks" for the identification and development of the next generation of leaders. Entry and exit from the group should remain very flexible. All efforts should be made so that the group is not seen as a privileged caste, or as an elite, but as a group of staff whose competencies respond to specific management challenges that can evolve over time. It should be differentiated from senior expert positions, which may entail similar seniority level and pay, but which do not involve the management of a significant number of staff. Bridges will have to be built between such a group and middle management through meetings, training, career planning and staff performance management, in order to ensure succession in the group and disseminate leadership values across staff at different hierarchical levels.

A Senior Public Service would facilitate the development of specific opportunities for careers across the different parts of the Public Service, reinforce and develop skill-sets among the senior cohort of the Public Service and deepen coherence within the system.

A Senior Public Service should not be limited to the Civil Service in order to have a broader perspective on the Public Service as a whole. It would provide opportunities for ensuring the development and embedding of a strong "whole-of-government/whole-of-Public-Service" ethos throughout the Public Service, with a strong emphasis on providing leadership and direction.

Source: New Zealand Police Act Review team (2007).

Civilianisation in Garda Siochána: An illustration of Public Service HRM challenges in the Police Force

Background

A well respected all-of-security corps with a strong sense of collectiveness

All citizens and customer surveys show that the Irish people hold the Garda Síochána in high regard. The Garda Síochána are distinctive in that they integrate into local communities and offer a unitary police service,[27] which includes national intelligence, fraud investigation, traffic corps, community policing, technical and forensics bureau, National Drugs Unit, Special Detective Unit, National Immigration Unit, Criminal Assets Bureau, etc., and are motivated by a strong sense of collective values and belonging.

This strong sense of collectiveness is promoted through, and maintained by, some specific features of the Garda Síochána's management, including 1) an exclusive entry point into the Garda at the lowest grade level through a competitive examination; and 2) a relatively low percentage of civilian staff (approximately 10%), 80% of those being in clerical positions. In addition, civilian staff until recently (October 2006, after the *Garda Síochána Act* 2005) were not Garda staff, but staff of the Department of Justice, Equality and Law Reform.

The Department and the Garda Síochána have undertaken a civilianisation programme in order to look at how this sense of collectiveness can be maintained, while at the same time, improving the efficiency and effectiveness of the Gardaí. The civilianisation of the Garda Síochána and the opening up of some positions traditionally held by the Gardaí has resonances with the opening up of other Civil and Public Service jobs through increased use of "open" competitions. Similar to the concerns expressed by representative organisations within the Public Service, and particularly in the Civil Service, Garda representative organisations have expressed their concerns in relation to how 'non-public servants' who come in at levels other than clerical staff, would be able to adapt to the traditions and culture of the Public Service, how quickly they would be able to understand how systems operate, and how to work on long-term strategic policy issues, etc.

Higher demand for increased police forces on the ground

Crime rates in Ireland have increased, although they remain below EU averages. Changes have occurred in the complexity and nature of crimes committed, especially due to a significant growth in drug-related crimes. In the past few years, however, it seems that major improvements have been achieved in addressing crime, thanks to increased use of special operations, the development of specific units (such as the Criminal Assets Bureau, the Traffic Corps, etc.), and an increase in the overall number of Gardaí. At the same time, there seems to be a discrepancy between the public's perceptions about the level of criminality, and the reality of crime in Ireland. These changed perceptions have been partially fuelled by increased media coverage. Notwithstanding evidence regarding an increasing crime rate, satisfaction with the Gardaí remains high. The paradox is clearly established in the data of the EU ICS Consortium and commented on by Zsolt Nyiri,[28] which shows a higher level of trust in the police force in Dublin than the average for other EU countries' capital cities, despite a relatively higher victimisation rate.

Demands to stay abreast, or ahead of, changes in the nature and types of crime committed (such as ATM/Credit Card Fraud, Identity Fraud, new ways for smuggling drugs, etc.) and additional legislative requirements (for example to address road deaths) on the police force, have been creating more work for the Garda Síochána. Moreover, new

consultation and changes in reporting procedures to provide for greater transparency and accountability that have been placed on the police force since the enactment of the *Garda Síochána Act*,[29] 2005, have also added to their workload. There are also calls from the public for more visible "community" policing to deal with anti-social behaviour problems, and for an increased visible presence of Gardaí on the roads. The media, agencies, and the public for example, believe that additional Gardaí need to be deployed to enforce road traffic laws so as to assist in reducing the number of road deaths.

The government has clearly identified the need to increase the visible presence of Gardaí on the streets. In recent years, the number of Gardaí has grown significantly to currently 14 000 (as compared with 11 288 in 1999). The number of Gardaí has not traditionally been subject to the effective limit on Public Service numbers. In 2007, the number of Gardaí in Ireland per 100 000 population was 330 (an increase from around 300 in 2001 compared with an average of 337 in the EU in 2001[30]). Since 1999, the number of civilian support staff has also increased from a total of 818 to 2 334 (1 852.463 WTE).

The civilianisation programme

In line with moves by other OECD countries to increase the number of civilians working within the police service, Ireland has embarked on a programme of civilianisation. Civilianisation is designed to ensure that a police service makes best use of the sworn officers available, by aiming to release them from duties or roles that could be performed as effectively by civilian support staff. In addition to allowing sworn police to return to more active duty, civilianisation can also be of assistance in driving forward professionalisation of the police service by bringing in specific specialised and management skills. An increased number of civilians in a police force can broaden the talent pool, and increase opportunities for promotion, diversity and productivity.

When compared to other police forces, the number of civilians employed by the Garda Síochána is low. Data provided by the Garda Síochána[31] shows that approximately one-third of all police staff in the UK (across England, Scotland, Wales and Northern Ireland) are civilians, as compared with some 14.3% in Ireland. Most recent figures (for end February 2008) indicate that approximately 2 334 civilians are employed in the Garda Síochána, compared with approximately 14 000 sworn officers. This figure for civilians excludes those employed as Garda Reserves.[32] Figures for Australia from June 2005,[33] indicate that out of their total complement of 58 167,[34] some 19 966 staff, or 23%, were civilian. There seems to be a trend, at least among Anglo Saxon countries, to use civilianisation as a tool to better meet modern-day skill needs. Box 4.4 outlines experiences of civilianisation in the New Zealand Police Service. In other countries such as Sweden and the Netherlands, between 24% and 28% of their total staff complement are civilians.

Civilianisation in the Garda Síochána has been on the reform agenda of the Department of Justice, Equality and Law Reform for over 20 years. In the Garda Síochána modernisation and flexibility agenda – agreed with the Garda Associations as part of the agreement applying the terms of the most recent national Social Partnership agreement, *Towards 2016* – the Garda Associations[35] agreed to "*co-operate in achieving the greatest possible level of civilianisation in the Garda Síochána*". They further accepted that "*the numbers of civilians employed in the Garda Síochána will be increased to provide the maximum level of civilian support possible*".

Box 4.4. **Civilianisation in the New Zealand Police Service**

The New Zealand experience with civilianisation in the Police Service provides a useful contrast with the Irish case. In 1958, New Zealand Police employed fewer than 40 civilians out of a total workforce of more than 2 300 staff. Over the period 1960 to 1980, small numbers of civilian employees gradually became part of policing, mainly in areas of financial management and human resources. Along the way there were amendments to New Zealand's *Police Act* 1958 to reflect "as closely as possible" modernising influences in general employment law as it applied to other workers in New Zealand. But in general, the New Zealand Police was still a "sea of blue" in almost every role up until the late 1980s. The only real exceptions were in jobs like typists, telephonists and administrative support staff.

A breakthrough came in 1989, with a major legislative change to the status of the civilian Police staff. Rather than having such workers being embedded employees of a central State Services Commission, an amendment to the *Police Act* created a unified workforce of two categories of Police employees. These were called "sworn members of Police" (*i.e.* all staff who had taken the constabulary oath) and "non-sworn members of Police" (*i.e.* civilian staff). The importance of this step was to formally bring under the direct employment of the Commissioner all persons who worked in the service of the Police. An interesting feature of this move was the New Zealand Police Association taking the fairly progressive step to represent both sworn and non-sworn members. This puts New Zealand in an almost unique situation; almost every other police union is staunchly representative of the constabulary staff only, with representation of the interests of non-constabulary staff being left to general public sector union groups (*e.g.*, UNISON in the United Kingdom).

In 1989, this was viewed as a significant step toward a modern employment framework – in fact it remains a fairly unique model internationally. Within this framework, the non-sworn (civilian) workforce has grown from 944 to 2 771 in the period from 1989 to 2007, while the constabulary workforce has increased at a much slower rate over the same period – from 5 100 to 8 114. Today, in addition to the traditional areas of financial management and human resources, many specialist roles with the Police have been extended to civilian members of staff. These cover a broad spectrum of roles, from radio technicians to fingerprints analysts, from policy advisers and public affairs professionals, to Police prosecutors. The single biggest area of civilianisation has been in the Police's Communication Centres, where the workforce in the early 1990s was made up almost entirely constables, but now some 85% of call takers, dispatchers and managerial-level staff are non-sworn. Significantly for the culture of the police service as a whole, New Zealand Police also has non-sworn staff in very senior positions, including a Deputy Commissioner, and a number of people at Assistant Commissioner level.

Even so, since the 1989 reforms it has also become clear that having two broad categories of Police employees (even if they can be aggregated up under the single label "member of Police") continues to frustrate efforts to create a united Police workforce. Beyond the labelling differences of "sworn" and "non-sworn", there remain structural divides to the transfer of staff and skills within New Zealand's police service. Hence a government-sponsored *Police Act Review*, which is currently underway, seeks to push even further into the territory of a fully unified Police workforce.

To meet the new challenges of modern policing, covering the full range of duties from minor incidents to major emergencies, there is thus a need to recruit trained specialists who, on joining the Police, can be granted specific powers and protections, allowing them to directly contribute to individual and community safety. It follows that the centrepiece to the *Police Act Review* reform programme is a new employment structure [for full details, see *www.policeact.govt.nz*]. It is designed to enable New Zealand's Police Service to establish a greater mix of appropriately-empowered personnel, bringing a more sophisticated and flexible approach to the business of policing.

The effect of this change will be to remove the label "sworn" and "non-sworn" from the Police's legislation, and not divide the Police into two separate membership categories. The single workforce model should make it clearer that all Police employees provide valued services together.

In October 2006, the Department of Justice, Equality and Law Reform transferred responsibility for all civilian staff employed by the Garda Síochána to the Garda Commissioner. A new Civilian Human Resource Division has been established, with responsibility for all aspects of human resource management and development, recruitment, training and discipline of civilian staff.

The civilianisation of clerical positions

Historically, work on advancing the civilianisation programme has been slow. This has resulted in a relatively large number of Gardaí being involved in clerical work on a daily basis, and even for those officers who do not occupy clerical positions, spending a large amount of their time doing clerical type work (*e.g.* filing reports, writing up notes on arrests, etc.). By having relatively less costly civilian staff doing clerical work[36] and bringing in professional and technical staff for more specialised tasks, increased numbers of Gardaí would be free to spend more time on police work (*e.g.* on duty, appearances in courts, etc.).

While the principle of civilianising clerical positions seems to be supported by all parties, and is in line with the general evolution of police forces in OECD countries, careful management of the reform will be key to ensuring that the two groups (civilians and Gardaí) are well managed in the future. Finally, civilianisation seems to illustrate some broader governance issues in the Irish Public Service in general, including issues to do with the management of Public Service staff numbers, capacity in strategic decision-making, and consultation with relevant stakeholders. Latterly, civilianisation has been seen to have a role in renewing the culture of the force.

The civilianisation of management and other non-clerical positions

In addition to recruiting additional civilian staff at the clerical/administrative support level, work is also underway to increase the number of civilian staff employed at middle and senior ranking positions in the Garda Síochána. The Inspectorate of the Garda Síochána, and the Advisory Group on Garda Management and Leadership Development, advocate hiring civilians for positions other than clerical positions. In recent years, recruitment of civilians has included, in addition to clerical positions, civilian drivers, telecommunications technicians and crime analysts. A number of civilians currently hold posts at middle and senior ranking positions within the Garda Síochána.

Following a proposal made by the Advisory group on Garda Management and Leadership Development, the government approved the creation of additional senior civilian appointments. Civilians are now employed for example as Chief Administrative Officer, Director of Finance, Head of Internal Audit, Human Resource Manager, Director of Civilian Human Resources, Accommodation Manager, Transport Manager, Director of Communications and at the equivalent of the Civil Service Principal Officer grade in the Information Technology section. In addition, a number of posts for specialised positions have been filled, such as Telecommunications Technicians, Teachers in the Garda College, Civilian Drivers, etc. Other recruitment initiatives underway include Head of Procurement, Crime and Policing Analysts, Cartographers, Photographers, Safety Camera Management Staff, Telecommunication Technicians, and Accountants. The civilianisation of some posts in Command and Control is under active consideration and work is also underway to contract out general maintenance of the Garda fleet to a private contractor.

There may be a perception in some quarters that civilianisation will decrease promotion opportunities for Gardaí. However, the government has ensured that the numbers in supervisory and more senior ranks (*i.e.* promotional opportunities) are kept proportional to the number of Gardaí. International experience has also shown that there is no research evidence to support the view that civilianisation leads to an erosion of job security or a reduction in the ranks. Research conducted by the Vancouver Police Department[37] concludes, for example, that "*Sworn officers are unlikely to have the requisite expertise to fill many of the positions that are occupied by specially-trained civilians. And, in many sections in police departments, there are mixed teams of sworn members and civilians, preserving opportunities for police officers to move laterally or vertically in an organisation*".[38]

Change through civilianisation provides an opportunity to review and revise the incentive structure, so as to allow more options in terms of career progression for all staff – both civilian and Gardaí. The structure in the Garda Síochána at present is such that very few of those who enter will get an opportunity for promotion. For example, while 30% of Gardaí enter with a graduate degree, only 20% will be promoted beyond the rank and file entry level in their career. In order to keep overall motivation high in the workforce, this may require thinking of a different structural system than at present. Incentives and career opportunities should be maintained and enhanced for rank and file Gardaí and additional thought given to the career structures and promotional outlets that will exist for the civilian staff. One option in terms of ensuring career structures and promotional outlets for civilian staff may be to ensure that there is mobility between the Garda Síochána and the wider Public Service. This may present opportunities for career progression and ensure ongoing throughput of new staff competencies and skills.

Implementation: Challenges and difficulties

As noted earlier, the principle of civilianisation seems to be accepted by all parties, but there is a level of confusion regarding the goals and scope of the reform, as well as the consequences for Gardaí career prospects. By international standards, there is little doubt that civilianisation of both clerical and management positions is in line with trends in many other OECD countries. Some of the current problems that have arisen during the course of civilianisation in Ireland, however, seem to stem from the way the reform is being implemented, reflecting broader difficulties with strategic reform in the Irish Public Service.

The limitations of strategic workforce planning

Civilianisation entails increases in staff numbers in general. The government has decided to hire civilians, but also at the same time, to increase the number of Gardaí. The basis for the decisions on the overall staffing numbers, however, is unclear. While the number of civilians in the Irish police force by international comparison is particularly low, the reasons for the projected increases in numbers are only vaguely linked to a clear needs assessment. A 2001 study, in which Garda associations participated, concluded that 556 posts held by Gardaí in administrative and technical areas could be civilianised. This figure was adjusted to 496 because the government decided at that time not to civilianise the positions of 60 Ministerial drivers, and this, together with a programme of implementation, was agreed with the Garda Associations.

300 additional posts have been approved and filled in the Dublin Metropolitan area. A further 300 have been approved and are in the process of being filled, for outside the

region. As mentioned, earlier, the numbers themselves are going in the direction of many OECD countries.

However there has been no clear strategic thinking linking the policy aim of increasing the number of Gardaí to the civilianisation program. These decisions seem unrelated, and have no consequence on one another (especially regarding the number of Gardaí "freed" by the civilianisation process). Over the years, an overall discrepancy appears to have developed between the identified outcome of reform (*e.g.* improved security by increasing a visible presence of Gardaí on the streets) and the qualitative assessment of what is needed (*e.g.* a policy of civilianisation, additional numbers of Gardaí) and decisions on resource allocation. The government has responded to pressure from citizens to improve security with promises to increase staff numbers, but without a clear needs assessment of what type of staff allocation would best support security objectives.

The Garda civilianisation experience illustrates two broader HRM issues within the Irish Public Service. Firstly, as developed earlier, it reveals the lack of strategic workforce planning capacity with attendant difficulties in identifying clear needs to outputs and outcomes. Secondly, it reveals the consequences of long-term control of inputs through the effective recruitment limits on Public Service numbers. Keeping a tight grip on some visible input measures while failing to monitor organisations' general strategic management, *i.e.* by linking actual inputs to outcomes/outputs, has resulted in inefficient ways of spending new resources. The Garda Síochána needs to develop its internal HRM and strategic change management capacity in order to assess its functional needs.

The shortcomings of strategic reforming: managing cultural change

Strategic thinking

Civilianisation cannot be considered as a minor reform. It will influence the culture and functioning of the Garda Síochána. In light of a number of high-profile cases where the values, competency and ethos of the Gardaí have come into question, embracing new ways of thinking can have very positive benefits. In such a politically sensitive area, however, it seems crucial that the government states the positive changes that will come with civilianisation, admits the difficulties ahead, and explains how it intends to handle them.

Changing the skill mix and opening up systems by increasing the number of non-Gardaí can lead to a change internally in how the organisation operates, sees itself, its ethos and its values. As opposed to seeing this as a challenge to be avoided, however, such change can represent significant opportunities for an organisation to clarify and refocus on what its overarching value-set/ethos is, or ought to be. It allows for outdated views and overly-bureaucratic ways of operating to be challenged in a structured way, and presents opportunities for new ideas and new ways of approaching issues to be explored.

The strength of selection mechanisms in the Civil and wider Public Service show that it is possible to find people from non-traditional Public Service backgrounds who have the necessary skills, competencies, values and ways of working, that challenge, in a positive way, the *status quo*, but who can also work within a "Public Service" ethos. In this regard, the strength of the selection and recruitment mechanisms used by the Gardaí (or the Public Appointments Commission on behalf of the Gardaí) will be important in ensuring that staff brought in for civilian jobs (other than at clerical level), are ones who can work within the traditional Public Service boundaries. The success of the Criminal Assets Bureau (CAB) clearly shows that civilian staff can work effectively within a "Garda" environment: in fact

the success of CAB shows that the overarching ethos of the Garda Síochána to act as "servants of the people" and to follow thorough investigative lines of enquiry robust enough to stand up in court, was strongly shared by the staff from the Revenue Commissioners and the Department of Social and Family Affairs who joined CAB.

The polemic discussions on the civilianisation of management positions that have arisen are only partially due to the perception that civilianisation decreases promotion opportunities for Gardaí. Conflict on the issue of civilianisation also reveals two views of the type of institutional culture the Garda Síochána should have. In recent months, newspaper reports have argued that the management in the Garda Síochána needs to be realigned along private sector principles. While the civilianisation of clerical positions creates anxieties that should be resolved after the transition process, civilianising top level and middle management positions will change the culture of the workforce and pave the way for future rounds of civilianisation in other functions as has been the experience in New Zealand (see Box 4.4).

As in many sectors of the Public Service, the Gardaí are a closed group separately managed from other parts of the Public Service, with no lateral entry point. As such, it has built a strong sense of belonging and a strong sense of collectiveness. Currently, the difficulties have been in acquiring specialised management skills, ICT skills and leadership skills. Other difficulties might appear in the future, with the likely need to acquire more staff with specialised or policy university degrees. Some management functions are now more specialised, leadership now requires broad organisational experience, and some police work requires higher levels of education or specialised experience (*e.g.* in financial management). As in the rest of the Public Service, a closed group of public servants with few lateral entries does not provide enough professional staff to meet these skill needs.

The opening of those positions to civilians thus seems legitimate, as they would be in all organisations of the Public Service. However, in order to ensure that those civilians who join the Garda Síochána do not find themselves in a situation with limited career development opportunities, it would be more fruitful to ensure that an integrated approach to mobility and capacity development for the broad Public Service, includes civilian staff within the Gardaí.

Civilianisation seems to have been developed as a simple stand-alone issue of value-for-money reform, with the aim of getting in new skills for specialised managerial positions and leadership positions. Civilianisation could have been included in a broader strategic thinking on needs and workforce planning for the Garda Síochána including the identification of areas of work that could be outsourced, of skills and competencies needs in the workforce that should be found in the broader labour market or through different entry points in the workforce (especially at graduate entry level). In addition, civilianisation requires strategic thinking on the development and promotion of all types of staff, and the recognition of excellence. Output Statements can also be used to better link inputs to strategies and processes, and eventually, outputs and outcomes. This will require a more global approach to reform and to performance management than has been demonstrated to date.

Transitional difficulties

Managing the transition will be a serious challenge for government. Firstly, it is unlikely that new civilians in clerical positions will have all the required capacity to replace

Gardaí immediately without any temporary loss of productivity. Secondly, it seems that a policy of placing Gardaí in clerical positions responded to some needs in human resource management, such as providing appropriate work for sick and disabled Gardaí, or for Gardaí in transitional parts of their lives (*e.g.*, pregnant women). Thirdly, in order to keep overall motivation high in the workforce, incentives and career opportunities should be maintained in the group of Gardaí and thought through very seriously for civilian staff. More flexible management rules should be developed in order to better integrate the two groups – civilians and officers.

Keeping a unified culture

The most difficult challenge for government will be to keep a unified workforce that takes advantage of the strong sense of cultural belonging that is at the core of citizens' trust in the Garda Síochána. With a larger number of civilians, however, the culture will evolve and government must anticipate this by reflecting on the core values in the Gardaí in light of increased civilian presence. This will be all the more important as the Garda Síochána has undergone a number of organisational changes in recent years and has evolved significantly towards more specialised functioning.

Box 4.5. **Managing change: Lessons learnt from broadening the Police workforce in New Zealand**

Building consensus for change

There were several difficulties explaining the pre-1980s lack of impetus to modernise New Zealand Police's workforce structure. Primarily, there was a lack of "push" factors, and government and public fixation on sworn officer numbers which disincentivised efforts to significantly alter the composition of the Police workforce. In addition, legal experts expressed uncertainty about the effect of any employment law changes to the office of constable, from which the powers and protections of sworn officers flowed. Interestingly, similar concerns about the possible impact of regularising the employment status of constables can be seen in attempts to reform policing in the United Kingdom and Australia.

Despite this, civilianisation and other changes to the Police workforce have happened over time in New Zealand without major difficulties. One of the main reasons for this was that changes in New Zealand's general industrial relations legislation enabled more union membership choice, meaning unsworn staff could be represented by Police unions. Subsequently, the Police unions won membership of most civilians, and as a consequence there was not the level of intensity or anti-civilianisation sentiment that might normally be associated with demarcation issues around particular jobs within the police service. In other words, the development of a diversified police workforce in New Zealand has been a quiet evolution.

One key area of agreement between unions and government is that of enabling a more modern Police workforce structure. The unions accept the future Police workforce has to be different. Policing is now too complex and diverse to expect the constable to be trained in every aspect of the policing business, or to expect to find the necessary skills to undertake all the demands on the Police from the traditional recruiting base of constables alone.

Box 4.5. **Managing change: Lessons learnt from broadening the Police workforce in New Zealand** *(cont.)*

There was also a sense within the Police Service that greater job diversity in the Police workforce was an idea whose "time had come". Arguably, this feeling can be attributed to events unrelated to the 1989 legislative reforms. Two events stand out as paving the way for this change. The first was the push by unions for "optional disengagement", as a means of facilitating access by sworn officers to compulsory superannuation savings (with an acceptance that, in order to achieve this goal, there may be benefits in drawing analogies between the position of sworn and civilian employees). The second was issues around "fitness for duty" of many sworn officers, which were exposed when the demands of policing the 1984 Springbok Rugby Team tour required large numbers of non-frontline constabulary staff to be mobilised for operational duties.

The consequence of these two issues was a ground-swell for employment reform that culminated in a new Police employment package, which included options for early retirement. The negotiation process with government involved recognition that there were many roles being undertaken by sworn police or "pseudo police" that should rightly be performed by civilian specialists. By the mid 1980s, therefore, a clear understanding had developed that the Police's employment and remuneration environment needed to be significantly enhanced, with civilianisation of certain Police roles being part of this reform process.

Managing change

The experience in New Zealand shows that creating a diversified police workforce is an ongoing and evolutionary process. Even after 20 years the New Zealand Police workforce model is continuing to respond to the new demands of contemporary society, new crime patterns, and public expectations for policing services. As the number of unsworn Police employees grow, it is crucial for the police leadership to provide all employees with a shared vision of service in the organisation, and career possibilities within an integrated workforce model.

The different steps in the civilianisation process have also encouraged greater workforce planning and greater capacity in workforce planning. Indeed, as management has got more freedom to choose among different types of staff, it has encouraged them to think about the strategic allocation of responsibilities according to the type of staff in the workforce. This capacity, however, takes time to build and involves a change in mindset that can only take place in the long run. However, modernising the Police workforce (including civilianisation) has forced the Police service to become a sophisticated employer in a tight labour market, to attract the best empoloyees and keep them in the long run.

The motivation for modernising the Police's workforce also evolves over time and as civilianisation takes place. Motivation to move further down this path comes from the increased need for co-ordination of police work with other departments (*e.g.* social sectors) and thus the need for increased mobility in government, shared understandings of the problems, and better co-ordination of solutions.

Civilianisation, however, was only marginally used to put officers back on the streets. Experience has shown indeed that few police officers who have been doing back office work for a long time are actually fit for patrol work or interested in returning to that aspect of policing. Civilianisation has thus been accompanied by reforms aimed at facilitating early retirement under certain conditions, or facilitating those police officers into unsworn roles as a second career development opportunity.

Source: New Zealand Police Act Review team (2007).

Notes

1. In this section on workforce numbers, the term "government" refers to the "general government" sector in the sense of the SNA (System of National Accounts); general government includes core ministries, departments and agencies, non market publicly owned hospitals, public schools, social security organisations, etc. It includes units at all levels of governments including regions, provinces and municipalities.

   The methodology is fully developed in GOV-PGC-PEM (2007), p. 2. The production costs of goods and services funded by government (but produced either by government or the private sector) are in the OECD's terminology in fact named "The production costs of goods and services in the public domain (goods and services produced by government owned or controlled organisations, or funded directly or indirectly by general government but produced by the private sector)." In the Systems of National Accounts, general government includes, for all levels of government, core ministries, departments and agencies non-market and publicly owned organisations such as hospitals, public schools, social security organisations. It also includes organisations that are non-market and not owned by government but funded and controlled by government, such as schools and hospitals in other countries. However, the distinction might be unclear in some countries, where some publicly funded bodies are considered as part of the SNA sector or corporations and quasi corporations. A specific analysis thus has to be developed for each country.

2. Data from the Central Statistics Office (CSO) Ireland, for the period 1995 to 2007, shows that the percentage increase in staff numbers in the health and education sectors was 73% and 42% respectively. This data is based on specific CSO methodology which is not comparable with OECD data for other countries.

3. Data are not available from the Systems of National Accounts for broader groups of employees in the public domain.

4. The State remains the overarching employer but control differs depending on area of work.

5. Pay rates for the most senior levels are determined by the Review Body on Higher Remuneration in the Public Service.

6. This section draws from OECD (2007), *Ageing and the Public Service: Human Resource Challenges*, OECD, Paris.

7. OECD (2007) study on ageing and the public service, resulting in the following publication: *Ageing and the Public Service: Human Resource Challenge*, OECD, Paris.

8. The Fund has been set up to supplement the pay as you go system after 2025. The exchequer is under statutory obligation to pay a sum equivalent to 1% of GNP each year until at least 2055. Provisions have also been made for additional payments into the fund on a periodic basis.

9. Comptroller and Auditor General (2007).

10. Since 2004, PAS does not have the monopoly over recruitment in any department and the "Commission for Public Appointment Service" provides "licenses" for departments to recruit.

11. Public Service Management (Recruitment and Appointments) Act 2004.

12. These tests are carried out after verbal reasoning, numeracy and clerical checking for clerical staff and verbal and numeracy for admin officer.

13. OECD (2007), *OECD Reviews of Human Resource Management in Government: Belgium*, OECD, Paris.

14. Butler, M. and S. Fleming (2002).

15. The text in this paragraph is based on section 3.2 in the CPMR report, *Developing a Strategic Approach to HRM in the Irish Civil Service* (O'Riordan, 2004).

16. PA Consulting Group (2002).

17. This paragraph draws from O'Riordan (2006).

18. OECD (2004a).

19. See for example paragraph 27.18 in the 2006 Partnership Agreement *Towards 2016*.

20. Paragraph 3.5 in Fleming (2000).

21. 1996 Partnership Agreement *Programme for Prosperity and Fairness*, section 1.4 paragraph 22.

22. Fleming, S. (2000).

23. O'Riordan, J. (2006).

24. OECD (2004c), p. 3.
25. Wallis, J. and L. Mcloughlin (2007).
26. The theoretical part of this chapter is based on the Belgium review [see Note 13 OECD (2007)].
27. Policing in many OECD countries involves a mix of local and national police organisations, supported by specialist agencies. In contrast, the Garda Síochána is a unitary, national police service.
28. Nyiri, Z. (2005).
29. The 2005 Act reformed the law relating to the administration and management of the Garda Síochána, and established external/independent oversight mechanisms through the Garda Inspectorate and the Garda Ombudsman Commission.
30. Home Office (2003), *Gordon Barclay and Cynthia Tavares, International Comparisons of criminal justice statistics 2001*, Issue 12/03, 24 October.
31. *Policing in Ireland Going Forward: A Report of the Garda Síochána Inspectorate* (August 2007)
32. The Garda Reserve is a voluntary, unpaid body drawn from the community to assist the existing Service when needed. Reserve Gardaí have certain Garda powers while on duty, and perform duties under the supervision of and supported by, full-time members of the Garda Síochána.
33. Australian Bureau of Statistics (ABS) 2002-05. *Population by age and sex, Australian states and territories* (various issues), ABS Cat. No. 3201.0, Canberra: ABS, and Steering Committee for the Review of Government Service Provision (2006), *Report on government services, Volume 1: Education, justice, emergency management*, Melbourne: Productivity Commission.
34. This figure excludes the AFP – the Australian Federal Police.
35. Police officers do not have the right to strike or to join unions. Police associations thus represent them.
36. The final report to the Garda Commissioner from the Advisory Group on Garda management and leadership development cites a 2001 report which assessed that "it costs between 15 000 and 20 000 Euros less a year more to employ a Garda to do work which do not require Garda skills and which could be as well, or more efficiently done by civilians".
37. Griffiths, C.T. *et al*. (2006).
38. (2006: 43)

ISBN 978-92-64-04325-1
OECD Public Management Reviews : Ireland
Towards an Integrated Public Service
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Chapter 5

Motivating Performance

Introduction

Citizens ultimately judge governments, not by intentions, but by results. OECD countries are under pressure to improve public sector performance as its citizens are demanding that governments be made more accountable for their performance. The fundamental challenge for governments is how to interlink their key components – policy, people, money and organisations – in a manner that promotes the translation of broad policy goals into desired outcomes.

Over the past decade, the Irish government has introduced several initiatives to improve Public Service performance and has taken significant steps to introduce performance frameworks and develop performance information. However, to ensure more rapid implementation and impact, there needs to be more focus on the objectives, design, and coherence of these reforms initiatives. There should be greater emphasis on ensuring this information is actually used and on *integrating performance information* with existing planning, budgeting and other decision-making processes. Only by aligning the accountability and performance structures and by making sure that the right incentives are in place, can the Public Service embed changes into organisational cultures in order to ensure the meaningful implementation of performance initiatives across the Public Service.

This chapter reviews the reform initiatives introduced by the Irish government to improve the performance of the Public Service and places these initiatives in the context of wider OECD experiences. The introduction discusses why improving performance is important and the different reform levers adopted by OECD countries to achieve this aim. The chapter then looks at changes in budget practices and procedures developed to strengthen fiscal performance in Ireland and to improve the reallocation of resources to higher government priorities. The subsequent section reviews initiatives to improve the focus on results throughout government, concentrating on performance management and budgeting reforms. This is followed by a section which addresses how harnessing competitive pressures can be used to improve performance in public service delivery. The chapter concludes with a section that focuses on the importance of building a performance culture that ensures that initiatives are being carried out as intended. It also suggests what changes to the existing accountability and incentive structures are required in order to better foster a performance culture.

Why improving public service performance is important

Efficient and effective government is vital to a well-functioning economy and society. Governments' actions and behaviour influence the economy through setting and maintaining the state's legal framework, through its economic, regulatory, and taxation policies, and through the level and quality of public expenditure. A key actor in the economy, the government directly or indirectly provides essential services such as education and health. Efficient and effective public institutions and policy instruments, well-managed public resources, and robust and high quality regulatory frameworks are

essential for maintaining competitiveness in a global economy. While improving public sector performance has always been a priority for government, over the past decade, calls for better results have taken on a new urgency.[1] OECD countries are under pressure to control increases in public expenditure, while citizens are demanding that their governments produce results and be made more accountable.

Governments are experiencing increasing claims on public expenditures from the growing health care and pension costs of ageing populations, to new infrastructure demands in security and defence in light of potential terrorist threats. Furthermore, countries in the Euro zone, such as Ireland, have agreed to the conditions of the European Union (EU) Stability and Growth Pact to achieve set targets designed to promote fiscal discipline. This pressure on public expenditures is often combined with citizens' reluctance to pay more taxes. In this climate, most governments have very little scope for raising taxes or issuing debt to finance higher public expenditures. Thus, they are focusing not only on controlling increases in spending, but also on achieving better value for money and results.

Traditionally in OECD countries, transcribing policies into laws formally drove performance and regulations and ensured that rules were respected.[2] In this traditional system, controlling inputs and complying with rules were more important than efficiency and effectiveness. Organisations and public servants were not evaluated on whether programmes achieved their goals or produced results, but rather, on whether they complied with the rules. In a more modern society – with customised services, the need for constant adaptation, pressures for efficiency, and the increased use of private agents – there is a demand for sharper performance focus and incentives.[3]

Citizens and businesses expect higher-quality public services in line with improved living standards. They expect government services to keep pace with technology and developments in the private sector, and to become more flexible and responsive to evolving needs.[4] Citizens are not only seeking improved performance in the traditional areas of public service delivery; they also want governments to develop and implement policies that provide solutions to new and more complex problems.

Governments are evaluated on different aspects of their performance. Key among these is the management of the economy and fiscal performance, the introduction and implementation of policy initiatives, the management of current and emerging pressures, and the day-to-day delivery of public services.

Reform levers to improve performance

There is really no single blueprint for improving public sector performance. The challenge of motivating governments at all levels to be more attentive to goals and achievements has been addressed from a number of different angles; OECD governments have adopted diverse levers and approaches to reform.[5] These include: reorganising and restructuring their public sector (*e.g.* creating agencies or merging ministries); transforming the workforce structure; reforming human resource management arrangements; devolving functional responsibilities and spending control to sub-national governments; strengthening competitive pressures within the public sector (*e.g.* privatisation, contracting out, public private partnerships); changing the mode of service delivery (*e.g.* joined-up government, delivery of shared services, e-government); changing budget practices and procedures; increasing managerial and financial flexibility within the public sector; and introducing a performance focus into management and budgeting processes.[6]

Some OECD countries have embraced all these levers, while others have concentrated on only a few. The Irish government has adopted many initiatives to improve public sector performance. These include creating agencies and reforming human resource management. These are addressed specifically elsewhere in this report.[7] This chapter will concentrate on reviewing the performance initiatives of the Irish government in the context of wider OECD experiences. The following areas will be considered:

- Improving fiscal performance and resource allocation through changing budget practices and procedures.
- Improving the focus on results by introducing performance-oriented approach to management and budgeting.
- Improving public sector delivery through the strengthening of competitive pressures.
- Moving from compliance to a performance culture.

Improving fiscal performance and resource allocation through the budget process

Ireland has been extremely successful in terms of its fiscal performance as witnessed by high levels of economic growth and a budget surplus. As discussed in the chapter on Fiscal and Demographic Developments, however, the current climate of slowing economic growth, and a corresponding impact on revenues, makes it more challenging to maintain this success. The fiscal performance of government is essential to maintain a healthy economy and to improve the government's overall performance. Governments' expenditure management impacts on operations of the whole of government, therefore it is important to have an efficient and transparent system.

As in most jurisdictions, the budget is one of the most anticipated political events of the year. It not only sets out the government's assessment and projections of economic and fiscal developments and prospects, but also actualises policy objectives, which affect all citizens. It may also announce changes in government management, for example, by introducing new accountability structures, or upgrades to existing structures. The budget, therefore, is much more than a collection of numbers, it is a reflection of a country's priorities, its needs and how it proposes to respond to them.

This section will discuss two sets of issues for improving fiscal performance: 1) the current process for improving and maintaining fiscal discipline, and budgeting for the medium- and longer-term; and 2) the transparency of the current budgetary process.

Improving and maintaining fiscal discipline

In OECD countries, the budget process impacts on fiscal performance through fiscal rules, the expenditure planning process, and transparency in estimates and liabilities. The rules and expenditure process should be designed to enforce budget discipline and improve transparency.

In Ireland, the main fiscal rules are the EU Stability and Growth balance budget rule and the debt rule. In addition, since 1999, the government has adopted a policy of transferring 1% of GDP to pre-fund pension liabilities. On a *General Government Balance* (GGB) basis, Ireland has gone from having one of the highest debt-to-GDP ratios among all OECD countries in the 1980s to currently one of the lowest, reflecting the impact of prudent

fiscal management and strong economic growth (Table 5.1). Since 1998, Ireland has met the EU fiscal requirements under the Growth and Stability Pact of an annual deficit of no more than 1% of GNP and debt-to-GNP ratio of no more than 60%.

While the Irish government does adhere to the fiscal rules set out in the Stability and Growth Pact, this has not been a difficult target to reach given the robust economic growth of recent years and its impact on revenues. The government's current fiscal target is based on the measure of the budgetary balance and is set on an annual basis for the upcoming budget year only.

In the 2007 budget, the government pledged to run an annual surplus of at least 1% of GDP for fiscal year 2007. Preliminary estimates for 2007 indicate a surplus of 0.5% of GDP. Due to the impact of downward adjustments to the economic outlook and its adverse effects on revenue, in conjunction with the government's commitment to honour capital expenditures under the National Development Programme, a GGB deficit of 0.9% of GDP is

Table 5.1. **International debt comparisons (gross financial liabilities)**

Percentage of GDP, selected years

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Ireland	**61.4**	**50.7**	**40.7**	**37.9**	**35.9**	**34.7**	**33.5**	**32.5**	**30.4**	**30.2**
Euro area										
Austria	67.4	70.0	69.3	70.2	71.7	69.8	69.5	69.6	68.9	67.6
Belgium	122.9	119.6	113.4	111.8	108.2	103.4	98.5	95.0	90.7	87.5
Czech Republic	..	..	..	..	33.1	34.9	35.5	35.5	35.6	35.3
Denmark	69.7	64.1	57.1	55.0	55.4	53.6	50.1	42.0	34.7	30.6
Finland	60.9	54.7	52.3	49.7	49.3	51.2	51.4	48.4	46.2	47.9
France	69.9	66.5	65.2	63.8	66.8	71.0	73.3	76.1	75.0	73.7
Germany	62.2	61.5	60.4	59.7	62.1	65.4	68.8	71.1	71.4	68.8
Greece	85.0	88.0	100.1	102.6	101.2	98.0	99.6	97.7	92.5	89.7
Hungary	64.7	65.9	59.9	59.5	60.6	61.2	65.1	68.6	73.2	74.2
Iceland	48.0	43.5	41.1	46.0	42.3	40.9	34.5	25.5	31.5	31.0
Ireland	61.4	50.7	40.7	37.9	35.9	34.7	33.5	32.5	30.4	30.2
Italy	132.0	125.7	121.0	120.1	119.0	116.9	117.3	120.0	119.9	118.9
Luxembourg	11.2	10.0	9.2	8.2	8.4	7.9	8.8	7.9	9.8	12.8
Netherlands	80.8	71.6	63.9	59.4	60.3	61.4	61.9	61.4	59.7	59.2
Norway	30.8	31.1	34.0	32.9	40.2	49.0	52.7	49.0	41.3	40.7
Poland	43.8	46.6	42.4	37.4	50.3	50.8	49.7	50.2	49.8	48.1
Portugal	64.9	60.9	60.2	61.6	65.0	65.9	67.9	72.0	73.2	73.9
Slovak Republic	41.0	53.1	57.4	57.1	50.1	48.6	47.6	39.1	37.0	35.5
Spain	74.4	68.4	66.5	61.9	60.2	55.1	53.2	50.8	47.1	42.9
Sweden	83.5	74.7	65.7	64.4	61.7	61.1	60.9	61.3	53.9	50.2
Switzerland	55.5	52.5	53.4	52.2	57.7	57.4	58.5	59.6	59.1	58.8
United Kingdom	53.6	48.5	45.7	41.0	41.3	41.8	43.7	46.6	46.6	47.2
Euro area	**79.7**	**77.9**	**74.8**	**73.4**	**73.7**	**74.7**	**75.5**	**76.8**	**76.1**	**74.2**
Other OECD										
Australia	32.3	28.0	25.0	22.1	20.2	18.8	17.1	16.8	16.1	15.1
Canada	95.2	91.4	82.1	82.1	80.6	76.5	72.1	70.8	68.5	66.8
Japan	114.3	128.3	136.7	145.1	153.6	159.5	167.1	177.3	179.3	179.0
Korea	13.1	15.6	16.3	17.4	16.6	18.4	22.6	24.7	26.5	30.0
New Zealand	42.2	39.6	37.4	35.4	33.6	31.6	27.1	24.5	24.8	23.4
United States	64.5	61.0	55.2	55.2	57.6	61.0	61.8	62.2	61.5	62.4
Total OECD	**72.9**	**72.3**	**69.5**	**69.8**	**71.8**	**74.0**	**75.6**	**77.5**	**77.1**	**76.8**

Source: OECD (2007), *Economic Outlook*, June.

projected for 2008, with similar deficit the next two fiscal years. Other targets, such as for total expenditure and tax policy, are established on an Exchequer Balance basis.

In Ireland, the government's main fiscal anchor/target is for one year only, although projections of the budgetary balance are also published for the following two years. A more medium-term fiscal anchor/target should be considered, reflecting the term of the government. This would set out more clearly the government's policy directions and the environment in which they are being considered. It would also set out a medium-term economic and fiscal framework for planning purposes to allow greater alignment of budgetary resources and policy commitments, especially in light of the National Developments Plans and the Social Partnership agreements.

Budgeting and planning for the medium and longer term

An expenditure planning process should be designed to maintain fiscal discipline, and to allow the government to reallocate resources from lower to higher priorities. In OECD member countries, medium-term budget frameworks form the basis for achieving fiscal consolidation. They clearly state the government's medium-term fiscal objectives in terms of high-level targets such as the level of aggregate revenue, expenditure, deficit/surplus, and debt. This lends stability and credibility to the government's fiscal objectives.[8] In addition, the government sets the aggregate expenditure totals and expenditure ceilings for individual departments to reflect its political and programme priorities. In the Netherlands, for example, the current main anchor of their framework is a medium-term fiscal balance target of some 2.5% of GDP. The medium-term is defined as the term of the government. Expenditure envelopes are fully planned for the duration of the government on the basis of a four-year "coalition agreement" between the political parties of the government.

Medium-term expenditure frameworks can be either flexible or fixed. Under flexible frameworks, aggregate ceilings for total expenditure are adjusted from year to year in light of macroeconomic circumstances. Under a fixed framework, high-level targets are operationalised by establishing hard or fixed ceilings for total expenditure over the term of the framework. Therefore total expenditure ceilings established or confirmed in the previous year are maintained during the budget preparation of the next year. Countries, with a fixed-term framework include Denmark, the Netherlands, Sweden and the United Kingdom. This framework is still adaptable with annual adjustments or reallocations allowed among departments and social security funds as long as these changes do not affect the totals or any changes are offset by structural changes in tax revenues. This helps to enforce greater fiscal discipline over the medium-term.

OECD guidelines recommend that the budget include a medium-term perspective showing how revenues and expenditure will develop during at least the two years beyond the fiscal year, but preferably for five years. The Irish government currently has a three-year rolling flexible framework. Summary revenue and expenditure projections are provided for each of the next two fiscal years. The setting of expenditures is largely a "bottom-up" process, whereby departmental/agencies' existing requirements and new policy initiatives are added up to provide an aggregate expenditure number, subject to approval by Cabinet, rather than "top-down" whereby the government establishes an overall aggregate for expenditures which is then allocated among the departments/agencies and new policy initiatives.

In the spring of each year, Irish departments and agencies are required to prepare their expenditure projections for the following three years, based on a no policy change scenario. These are referred to as Existing Level of Service (ELS) expenditures. They are primarily an update of the previous year's plan including the impact of initiatives approved during the course of the previous year. These are reviewed with the Department of Finance. In the May-June period, the Department of Finance updates the Cabinet on current economic and fiscal developments and provides revised fiscal projections. Based on these revised fiscal projections, the Cabinet approves targets for the main budgetary aggregates, including aggregate expenditure ceilings which are based on the roll-up of proposed departmental and agencies' spending plans for the next three years. Included in these aggregate expenditure ceilings will be the impact of new spending initiatives, consistent with the National Development Plan, Social Partnership Agreement, and other government priorities. Under the new Unified Budget arrangements introduced in 2007, the Budget Strategy Memorandum for government sets out overall spending parameters for the unified budget. Many OECD countries publish multi-year estimates at the detail of departmental level. Countries that are leaders in the area of medium-term expenditure frameworks such as Sweden, Denmark, the Netherlands and New Zealand publish more detailed multi-annual expenditure estimates at the subhead item level in their annual budget documents presented to the legislature.

Based on these Cabinet decisions, the Sectoral Policy Division (Department of Finance) issues an annual Estimates Circular to the departments and agencies that details the parameters within which the departmental/agency expenditure estimates are to be prepared. Departments/agencies are requested to resubmit their detailed estimates for the upcoming fiscal year consistent with these parameters as well as aggregate spending levels or envelopes for the next two fiscal years. These are examined by the Sectoral Policy Division in the July to September period and discussed through bilateral meetings with the respective departments. The Minister of Finance will also meet with individual Ministers to finalise their spending projections. Any remaining areas of dispute are brought to the attention of the Cabinet for resolution. Then the final budget is presented to Parliament.

Since the current process in Ireland is a flexible framework, this means that the medium-term ceilings are not acting as hard budget constraints over a number of years. Rather, each year the ceilings are reset for a next three-year period. This contrasts with countries such as the Netherlands and Sweden, which are leaders in the design and development of medium-term expenditure frameworks. They combine a fixed framework with a top-down process that begins by setting the hard aggregate expenditure ceiling.[9] In Ireland, while on paper there is a medium-term framework, in practice the medium-term perspective is not guiding the budget process, and there is no medium-term fiscal target acting as a main anchor or objective.

The OECD encourages countries to prepare and publish medium-term economic and fiscal forecasts (minimum of five years) and planned expenditures within a five-year expenditure plan, as well as long-term economic and fiscal projections (minimum of ten years). In recent budgets, the Department of Finance has published longer-term projections (sustainability of public finances) which focus on the implications of demographic changes on the age-related spending components of the budgets for ten-year periods to 2050. The potential fiscal consequences of demographic change – for example, providing for pensions, health care, education and environmental protection – cannot be assessed unless economic and detailed fiscal projections are made for the long-term.

Ireland has a number of longer-term policy plans. Through the various National Development Plans, the government has set out multi-year (five to seven) capital investment project, and through the Social Partnership agreements, broad policy objectives over the longer-term (currently ten years). In the 2008 budget, the Department of Finance published a multi-year capital investment framework for the period 2008 to 2012. At the beginning of each new mandate, an Agreed Programme for government is released, setting a vision for action over the next five years. However, without longer-term economic and fiscal projections, these multi-year policy plans lack the proper context and discipline in which they can be assessed and debated. The National Development Plans and the Social Partnership agreements raise expectations about new spending and policy initiatives. Such expectations can be realised in an environment of robust economic growth. However, slowdowns in economic growth may render such plans unachievable.

Other OECD countries are using a medium-term expenditure framework and long-term planning in conjunction with performance information in an effort to relate extra spending to performance returns. For example, the United Kingdom reviews spending biannually with the aim of reallocating money to key priorities and of enhancing and expediting the delivery of public services. After a review of existing departmental spending, each department develops a three-year spending plan and a Public Service Agreement (PSA). The Treasury negotiates with ministries and outlines key performance targets for the next three-year period; these targets are included in their Public Service Agreements. The current PSAs mainly focus on outcome targets, although there are still a few output targets. In addition to the PSA, each department produces a technical note stating how the targets will be measured, and a delivery plan explaining how it plans to achieve the targets.

In addition to a medium-target or anchor, the Irish government should consider a more top-down budgeting framework within a medium-term expenditure framework. Introducing such an approach would result in the aggregate expenditure totals driving the process. Moreover, having a fixed framework with hard aggregate expenditure ceilings would help to constrain spending, and force reallocation and efficiency measures to be met, while addressing new priorities. Departments would have to reconcile the expenditure ceilings with the detailed multi-annual line item estimates. Within such a system, each Minister is responsible for maintaining spending within his/her own department's expenditure ceiling. This could require departments to make efficiency savings or reallocations. However, these changes can only be made when departments have the flexibility to reallocate resources. There has been some improvement in this direction with more flexibility being granted with respect to capital programmes. A carry-forward provision of up to 10 % of approved capital funding is currently in place.

Improving transparency

Improving the transparency of the budget process and budget documents is an important element in improving fiscal performance and in generating and maintaining the confidence of the public and business in public finances and in the government in general. Important aspects of the budget process that require transparency include: the presentation of economic assumptions; the content of budget documents (that they should fully disclose all government liabilities); and the timing and presentation of documents and accounts to Parliament.[10]

Economic assumptions

It is important that all key government economic assumptions are disclosed explicitly and are as accurate as possible. Deviations from the forecasted key economic assumptions underlying the budget are the government's key fiscal risk.

In Ireland, the economic forecasts are prepared by the Budget, Economic and Pensions Division of the Department of Finance. In deriving these forecasts, the Division compares its forecasts to those prepared by national (the Economic and Social Research Institute, the Central Bank), and international (*e.g.* European Economic Union, Organisation for Economic Co-operation and Development, International Monetary Fund), as well as private sector organisations. Although these forecasts are not used directly in the Department's forecasts, major differences are reconciled and justified as required. Official published economic forecasts are for the next three years, although the Division does undertake longer-term analysis for internal planning purposes.

While the practices vary across OECD countries, in order to improve transparency and fiscal responsibility, a more independent element in generating economic assumptions can be desireable. This is achieved either through having an independent body/panel generate the assumptions or having an independent review of the assumptions produced by the government. In countries such as the Netherlands, Austria, Germany and Chile, there is an independent organisation or independent committee/panel that generates fiscal assumptions. For example, in Austria all of the macroeconomic assumptions used in the budget process are prepared by the independent Austrian Institute for Economic research. In the Netherlands, the Central Planning Bureau fulfils this role. In Chile, an independent panel made up of 14 leading economists from academia and research bodies generate the forecasts. The Minister of Finance appoints each member of the panel, who are appointed for one year at a time.[11]

In other countries, for example New Zealand and the Slovak Republic, an independent panel reviews the government's economic assumptions. In Sweden, in 2007, the government established a Fiscal Council to provide an independent scrutiny of fiscal policy, promote active public debate and strengthen the credibility of fiscal policy.

In Ireland, while independent economic commentators are in place, transparency and credibility of government's finances could be further enhanced by having an independent element in the generation of economic assumptions either through having an independent body generate the economic assumptions or having an independent panel or body formally review the assumptions.

Transparency of budget documents and reporting

It is important that budget documents give a full account of all government's financial and contingent liabilities and that these documents as well as the government accounts are provided in a timely manner and be updated regularly.

The Irish budget documents include an update of the Economic and Exchequer Account projections for the current fiscal year and forecasts for the next three years, as well as details of the proposed new initiatives. For the outer two years, the budget includes a general contingency provision to guard against budgetary costs that cannot be quantified at the time. This is not a contingency reserve to guard against adverse economic developments, but rather, it is solely for new expenditure initiatives that may be forthcoming in future budgets.

The Irish budget documents also include a risk or sensitivity analysis of the fiscal projections, highlighting the impact of different economic assumptions on the budgetary balance. In addition, the budget documents provide comparisons of current budget projections of real GDP growth, the GGB and the general government gross debt to those in the previous budget. However, there is currently no reconciliation of differences of the detailed revenue and expenditures projections, which would be helpful in fully understanding changes to the current fiscal estimates and projections.

Furthermore, the government's stated target fiscal anchor is on the general government balance basis, consistent with its obligations under the EU. Yet the budget and the various financial statements are on an Exchequer Account basis, which is much narrower in scope than the GGB, and is on a cash basis only. Many of the activities over which the government has direct control are excluded. The Exchequer Balance does not include the activities of all enterprises, agencies and other bodies over which the government has control. Nor does it include all liabilities such as employee pensions, health care, and potential legal settlements, among others. As such, it provides only a partial picture of the government's financial position.

On an international basis, most countries are moving to generally accepted accounting principles (GAAP), endorsed by independent national or international accounting boards. These financial statements encompass all the entities over which the government has control, and are prepared on an accrual basis of accounting. This provides a comprehensive picture of the government's overall financial position, including all of its liabilities and assets. It includes liabilities for Public Service pension that are presently not included in any of the financial statements. This also forces departments and agencies to concentrate on accrual-based information for accounting, planning and decision-making purposes.

The government's financial statements should encompass all the entities over which it has control, and be prepared on an accrual basis of accounting in keeping with the generally accepted accounting principles (GAAP), endorsed by independent national or international accounting boards.

In accordance with *OECD Best Practices for Budget Transparency,* the Irish government provides a pre-budget outlook document and a monthly economic bulletin summarising current economic conditions. In addition, it has timely release of the Exchequer returns, presenting the monthly results for revenue and expenditures within five days of the period.

According to the *OECD Best Practices for Budget Transparency*, the end-of-year report is the government's key accountability document. It should be audited by the supreme audit institution and released within six months of the end of the fiscal year. Final financial results (Financial Accounts) based on the Exchequer Account for the fiscal year just ended are prepared by the Department of Finance and submitted to the Comptroller and Auditor General no later than June 30 of the following year. The Comptroller and Auditor General submits his/her opinion on these Financial Accounts to the Minister of Finance no later than August 31 of that year. The final audited Financial Accounts are tabled before the Dáil Éireann no later than September 30 of that year. This means that, in Ireland, the audited financial statements are published nearly nine months after the end of the fiscal year. This is an extremely long delay, especially given that the financial statements are on a cash basis of accounting. For financial statements to be meaningful and credible, they should be

released on a more timely basis. Recently there has been an improvement and the 2006 financial accounts were published in June 2007.

The Irish government has recently introduced a change in the presentation of budget information to Dáil Éireann that should improve both the transparency and efficiency of the process. In the 2008 budget tabled on December 5, 2007 by the Minister of Finance, all new spending and tax measures were announced in a unified manner on Budget Day, instead of on a piecemeal basis as was previously the case. This eliminated the duplication in tabling the estimates, and now presents updated revenue and expenditure estimates, including the impact of proposed budget initiatives, in one unified document. The end-of-year final accounts should be presented to the Dáil within six months of the end of the fiscal year

Departmental Annual Output Statements were first tabled for the 2007 fiscal year. The Annual Output Statements are designed to match key outputs and strategic impacts on financial and staffing resources for the financial year. These statements are published early in the New Year before the Dáil committees meet to discuss the estimates, and are tabled in March of the fiscal year to which they pertain. The terms of reference of the committees have been revised to include discussing the Output Statements with the estimates, as well as the Value for Money and Policy (VfM) reviews. It would be preferable if these statements were released earlier with the budget so that the parliamentary committees examining the budget estimates would have all of the relevant information available at the same time.

Focusing on results through performance oriented management and budgeting

This section examines the development and use of performance information in management and budgeting processes to ensure that governments get better results from the money they spend. It first briefly addresses the development of performance information in OECD countries and examines recent Irish government initiatives to develop performance information. It then concentrates on departmental Output Statements and expenditure and evaluations, especially Value for Money and Policy Reviews. Finally it assesses the challenges in developing and using performance information in the Irish system, which is a system that requires better co-ordination, transparency and new approaches to integrate performance information into decision-making processes.

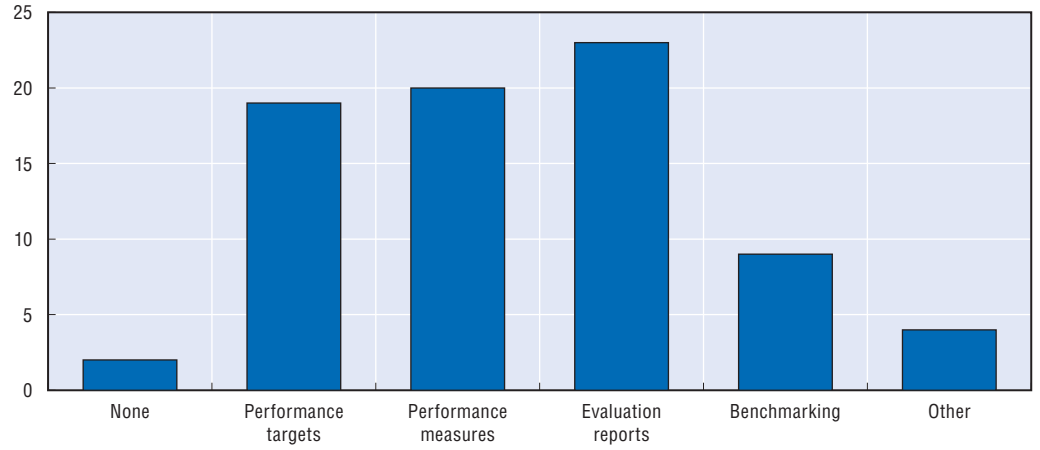
Introduction: Performance information into management and budget processes

Across OECD countries, the introduction of performance information into the management and budgeting processes is a widespread and long-term trend. Over 70% of OECD countries include non-financial performance information in their budget documents.[12] Figure 5.1 highlights the different types of performance information developed by OECD governments to assess their non-financial performance.

In 2007, 60% of OECD countries, including Ireland, used both evaluation and performance measures (outputs and/or outcomes) to assess their government's performance.[13] This shift from inputs to results is a long-term trend with over 40% of OECD countries working on developing outputs for more than ten years. While Ireland has been conducting programme evaluations for a number of years, it only introduced Output Statements on a government-wide basis in 2007.

Figure 5.1. **Type of performance information produced by OECD countries in 2007**

Distribution of responses in percentage terms



Source: OECD Budget Database.

The Irish government has introduced a number of initiatives to promote greater emphasis on measurable results in management and budgeting processes. Experiences with previous reforms, however, have left a general wariness about the use of performance information, as well as scepticism about the validity of some data and the costs of gathering information. This section examines the major government-wide initiatives on the management information framework, the development of departmental Output Statements and policy and programme evaluations.

Management Information Framework

In March 2000, the Management Information Framework (MIF) was launched. Its aim was to provide departments and agencies with a flexible system of financial management integrated with performance and output indicators, so as to enhance efficiency, performance and accountability. The essential features and objectives of the MIF are:

1. **Financial reporting:** for both statutory and non-statutory financial reporting; facilitate cash-based and accrual reporting; capture direct and indirect costs; and distinguish between current and capital costs.
2. **Performance indicators:** relate expenditure not only to inputs but also to outputs and outcomes.
3. **Management reporting:** provide periodic reports during the year showing initial objectives, performance targets and associated budgets, ongoing performance and associated expenditures, reasons for variances, etc.
4. **Cost allocation and budgeting:** devise budgets and budgeting information; provide cost allocation on a programme, project or individual cost centre basis using an approach that facilitates the possibility of cost and performance measurement comparisons.

Each department and agency set up an MIF Steering Group and Project Team to manage its implementation of MIF. A MIF Central Unit was established within the Department of Finance to provide guidance to departments and agencies, while the Centre for Management and Organisation Development (CMOD) in the Department of Finance was responsible for ICT-related issues. Other committees were also formed to ensure successful integration of the MIF reforms with wider Public Service modernisation initiatives.

By mid-2005, new financial systems had been launched in all departments and agencies. The focus since late-2004 has thus been on developing performance indicators and completing the costing framework. This has almost now been completed, and performance indicators were published in the 2007 annual Output Statements. It has taken about ten years to put in place the applicable financial infrastructure essential to the accomplishment of other Public Service reform initiatives announced in *Delivering Better Government*.

Departmental Output Statements

In preparation for the 2007 budget, the Department of Finance required all departments to produce Output Statements as part of their annual budget submissions, so that financial and staffing requests are linked to key outputs and strategic impacts. In the first round of submissions, departments were invited to indicate their projected outputs (and in some instances, outcomes) for the coming year. These Output Statements were submitted to the relevant parliamentary committee as well as to the Public Accounts Committee. In the Output Statements of 2008, Ministers and departments will be expected to report on their progress in achieving the 2007 output measures. These documents will assist departments, the Department of Finance, and the parliamentary committees in assessing the various programmes, and provide input into the resource allocation process.

Departments vary considerably in their level of preparation and capacity to develop output measures and statements. Some have already invested considerable time and energy in the development of performance indicators (*e.g.* Department of Health and Children and Department of the Environment, Heritage and Local Government) while others are not as far advanced. Even before the government-wide requirement to produce Output Statements, a variety of information was available at the departmental level, but this was usually information on inputs, rather than performance indicators. The Department of Education and Science, for example, provides in its reports and on its websites, information on input factors, such as the number of pupils, teachers and budgets. Information on success rates of pupils, dropout rates, and quality of educational institutions, however, is not available.

Performance objectives in other OECD countries typically list a limited number of clear, precise, measurable, high-level and strategic goals. The strategic goals, in turn, are translated into several operational goals that anticipate the actions needed to achieve the high-level goals. These are quantified so that progress is measured and reported. Both high-level and operational goals are to be expressed as outputs rather than as inputs or process indicators. There is considerable variation when comparing the quality of the departmental Output Statements, as can be seen from Table 5.2. The number of operational goals varies from nine for the Department of Defence, to 105 for the Department of the Taoiseach. Some departments have indicators that are almost all quantified, whereas others propose only a few. Departments with Output Statements that are for the most part quantified include the Department of Enterprise, Trade and Employment, and the Department of Education and Science. Other departments have proposed indicators that are *quantifiable* but that are not *quantified, i.e.* an indicator is proposed, but there is no concrete target connected to it. For almost all Output Statements, no benchmark values are given for previous performance. Nor is there a benchmark for agreed standards. It is thus difficult to see whether or not the outputs targets that are given are ambitious. Nor is there

Table 5.2. **Content analysis of Departmental Output Statements, 2007**

Department	Number of high level goals	Number of operational goals	Quantifiable share of operational goals %	Quantified share operational goals %
Enterprise, Trade and Employment	6	44	> 75	> 75
Education and Science	5	48	> 75	> 75
Community, Rural and Gaeltacht Affairs	7	97	> 75	> 75
Defence	3	9	> 75	25-50
Social and Family Affairs	6	36	50-75	50-75
Health	8	40	50-75	50-75
Environment, Heritage and Local Government	7	42	50-75	50-75
Communications, Marine and Natural Ressources	8	43	50-75	25-50
Agriculture and Food	5	18	25-50	25-50
Justice	9	23	25-50	25-50
Finance	7	53	25-50	< 25
Taoiseach	9	105	25-50	< 25
Arts, Sport and Tourism	3	20	< 25	< 25
Transport	4	53	< 25	< 25

Source: OECD analysis of Departmental Output Statements.

any indication that the first year will serve as a starting point for future benchmarking of performance.

There appears to be no consistent definition of what constitutes an output. Many of the indicators do not actually focus on real outputs. Several departments mention implementation action plans, participation in networks and meetings, and developing policy as outputs to be realised in 2007. Although these might all be valuable activities, they are not in themselves outputs; in the best case they might be intermediate steps in order to realise outputs.

In Ireland, the initiatives for developing performance information are not exclusive to central government. The local government sector has been working on general indicators for longer than the Civil Service and has made some progress in this area. Every year, the Local Government Management Services Board publishes a voluminous publication called *Service Indicators in Local Government,* which is also available on its website.[14] While this publication contains many indicators, they tend to focus on process, inputs and throughput, as opposed to outputs or outcomes. These indicators can be quite detailed at a programme level, *e.g.* the number of schools involved in environmental campaigns. They do not necessarily provide information on policy achievements or actual results.

In Ireland, as in many OECD countries, the quality of performance information produced by different departments in the Public Service varies considerably. It can be difficult to discern precisely what factors explain this variation. OECD research has pointed to a number of possible explanations. In a recent survey, OECD Ministries of Finance were asked to identify the most important factors contributing to the successful development of high quality performance measures. They listed the following two factors:

1. Strong leadership: For performance information to play a role in the management of organisations and budget processing, it is clear that strong leadership is an important factor in pushing change. OECD governments have continuously emphasised the need for the active engagement of those at the top.

2. The types of goods and services provided: Governments carry out a wide variety of functions, from building roads to providing advice on foreign travel. Performance measures are more easily applied to certain types of functional and programme areas. For example, it is easier to create reliable unit cost measures for programmes which involve the delivery of a tangible good or service such as issuing driving licenses and passports, or collecting taxes.[15]

It is possible, although more difficult, to design output and outcome measures for more complex services to individuals, such as education and health care. In fact, across OECD countries, these sectors have the most developed performance measures. This appears, however, to be less the case in Ireland. While diagnosis-related group (DRG) data are collected by individual hospitals, for example, it is not clear how this information is used in decision-making processes at the department level, nor if the data is made available to the public. As yet, there are no transparent global sector output or/and outcome measures or targets in the health area (see case study on Hospital Reconfiguration). In education, under an agreement with unions, school results data are collected, but not published at the individual school level.

Performance indicators are very difficult to apply to non-tangible activities, such as policy advice and co-ordination, where the outcomes are not always visible. Thus, it is not surprising that in the first round of departmental Outputs Statements, departments with large policy advice and co-ordination roles, such as the Department of the Taoiseach and the Department of Finance, produced relatively few quantifiable output indicators. The Department of Foreign Affairs also experienced difficulties in developing quantitative performance measures, particularly as they often provide non-tangible services and are often influenced by events that are not within their control.

Many OECD countries have indicated that strong political pressure is needed to improve performance. For example, under strong political and public pressure in light of the tsunami disaster in 2006, the Ministries of Foreign Affairs in Nordic countries met to discuss how to best to measure and improve performance in their Ministries. While it is difficult, it is not impossible to evaluate performance where the service outputs and outcomes are not visible. It is, however, important to note that *performance indicators* are not necessarily the most suitable approach to evaluating performance in such cases.

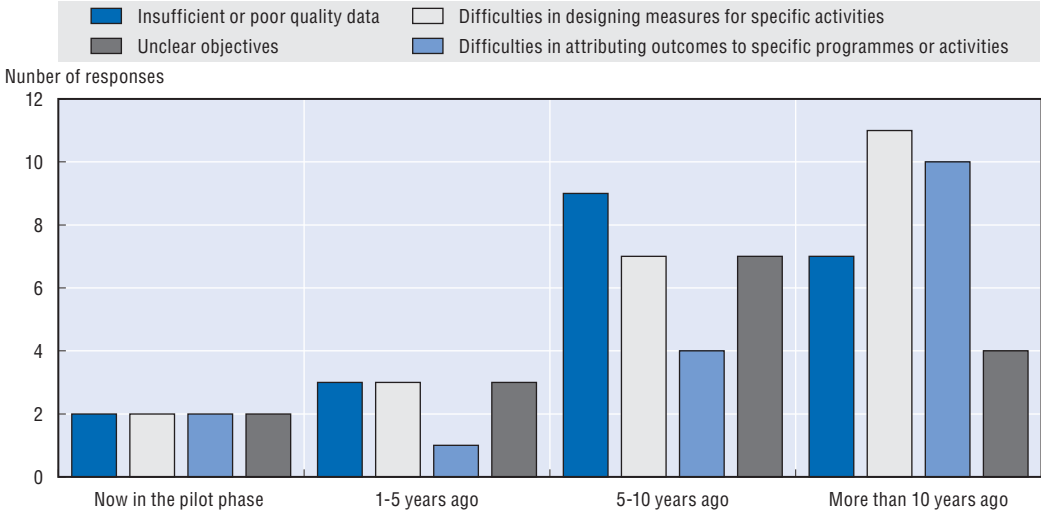
As noted earlier, while performance can be difficult to measure in the areas of health and education, these tend to have the most developed measures. One explanation for this is that these sectors are under strong political pressure to improve performance. Political pressure can serve as a motivator for Ministries to take these reform initiatives seriously and to engage in efforts to improve performance.

Moving forward

Given that 2007 was the first year that departments were required to produce Output Statements, it is important not to become cynical based on these early efforts. OECD countries report that it typically takes three to five years for a performance initiative to actually begin developing significant indicators. Figure 5.2 relates the challenges encountered by OECD countries when introducing performance measures to the length of time countries have been developing this approach. For the first five years, the main problems were finding clear objectives, obtaining sufficient data of high quality, and designing measures for specific activities. This is unsurprising considering that one of the

first steps in developing a performance system is setting objectives and designing measures. These examples reveal that it takes time to develop meaningful measures and to collect relevant data of sufficient quality. Ireland's initial experience with developing Output Statements therefore has much in common with the challenges experienced by other OECD countries.

Figure 5.2. **If performance measures have been developed, what were the four most difficult problems encountered when introducing these measures?**



Source: OECD (2005), *Journal on Budgeting* (Volume 5, No. 2).

The first year of this reform initiative in Ireland highlights a tendency to develop a large number of indicators of varying quality. It also shows that there is a focus on measuring internal processes rather than outputs. These tendencies are also common in OECD countries.

Several OECD countries started out with a large number of targets but subsequently reduced them. For example, when Public Service Agreements were introduced in the United Kingdom in 1998, there were 600 performance targets. By 2004, this number had been reduced to approximately 110.[16] Having too many targets can create information overload and make it difficult to prioritise, resulting in an unclear focus. On the other hand, too few targets can create a distortion effect. It takes time to get a realistic balance and OECD experience has highlighted that it is better to limit the number of targets, but to set many measures for the achievement of a target.

Drawing up outcome measures or identifying how outputs contribute to outcomes can help to avoid the goals distortion that can result from concentrating on a limited number of outputs measures. In 2000, the Danish government reviewed its performance-based contract model (*i.e.* performance contracts between ministers and agencies) that had been in place since the early 1990s. One of the key recommendations was to shift from the concentration on process and internal targets towards external targets, concerned with organisational results. This new focus had an impact. By 2004, 71% of targets in agency contracts had an external focus. The Danish experience emphasised the importance of having external measures that focus on the goals of the organisation and its customers, as opposed to those that focus on internal processes.

The first round of departmental Output Statements demonstrates that there are a number of areas in which Ireland can benefit from the experience of other OECD countries. The first round highlighted the need to set clearer objectives for departments and agencies and to prioritise them in the context of the whole-of-government framework. It is also important to consider what the programmes contribute towards achieving these goals. If it is not possible to measure how a programme is performing, it is not possible to improve service delivery.

Advice on developing measures needs to be clear. In particular, advice should be given on how many high-level objectives and operational indicators are needed. In addition, guidelines about measuring outputs *versus* outcomes can be helpful. In some circumstances, a framework stipulating how departmental Output Statements and targets relate to those objectives contained in the agreements with their agencies can be useful, as are more precise definitions of outputs and outcomes. Targets need to be measurable and, as far as possible, quantitative. Performance information is enhanced when targets concentrate on external goals as opposed to internal processes and when standards and other types of comparison (*e.g.* with past performance, other comparable lines of business, or level of need) are applied. Judgements can then be made on the extent to which interventions are achieving desired results. Best examples from the first round of international examples should be circulated and discussed in order to help departments develop a better understanding of how to move forward for the second round. Expectations should also be clear in terms of how this information will be used in decision-making processes.

It is important that the results are provided in a timely, simple and integrated manner. The planned and actual results should be presented (if possible in a time series) in the same document along with financial information. For transparency purposes, it is also helpful if any changes made to performance measures or targets are carefully noted and explained, should there be a failure to meet a performance target.

Experience in other OECD countries reveals that in order to improve the quality and validity of performance information, it is important to have an independent element in the process. This can take the form of a supreme audit institution or other independent institutions. This may include experts from the Department of Finance and external experts (*e.g.* agencies/individuals) which conduct or participate in evaluations, or have an independent "check" or audit of performance data, processes or results. For example, in the UK, the National Audit Office reviews the quality not only of the process for collecting performance data and the data itself, but also the quality of performance measures produced. It does not, however, comment on government policies or the effectiveness of agencies in achieving these policies. In Chile, it is the Ministry of Finance that approves agencies' performance measures and targets and reviews their yearly results. While the approaches and roles of key institutional actors may differ, an independent element is essential.

Evaluation of public policies and programmes

Output Statements are just one source of performance information produced by the Irish government; the other main source is evaluations. This section will examine the evaluation system.

The practice of evaluating policies and programmes has a long history in OECD countries. While Ireland has also been engaged in evaluation to some extent for over two decades, since the late 1990s, interest in the evaluation of public policy in Ireland has increased. Several instruments to evaluate public policies were put into place during this period. In 1993, the *Comptroller and Auditor General Act* was passed. This Act gave a mandate to the Comptroller and Auditor General to carry out Value for Money and Policy reviews, and to assess departments' mechanisms for evaluating the effectiveness of their operations. As part of the broader process of Public Service modernisation, in 1997 the government also announced an *Expenditure Review Initiative* (ERI). This initiative proposed an agreement between the Department of Finance and spending departments to schedule reviews at least once every three years. The objective was to analyse Exchequer spending in a systematic manner in order to provide a basis on which more informed decisions on priorities within and between programmes could be made. This process was set up as a broad evaluation of government programmes, with expenditure outcomes as a key focus of concern. This approach was heavily influenced by the Australian evaluation system.[17] The reviews were expected to include four main elements:

1. a review of the objectives of the spending being reviewed;
2. a review of performance indicators relevant to the area being reviewed;
3. an evaluation of the effectiveness of spending; and
4. an evaluation of the efficiency in the area being reviewed.

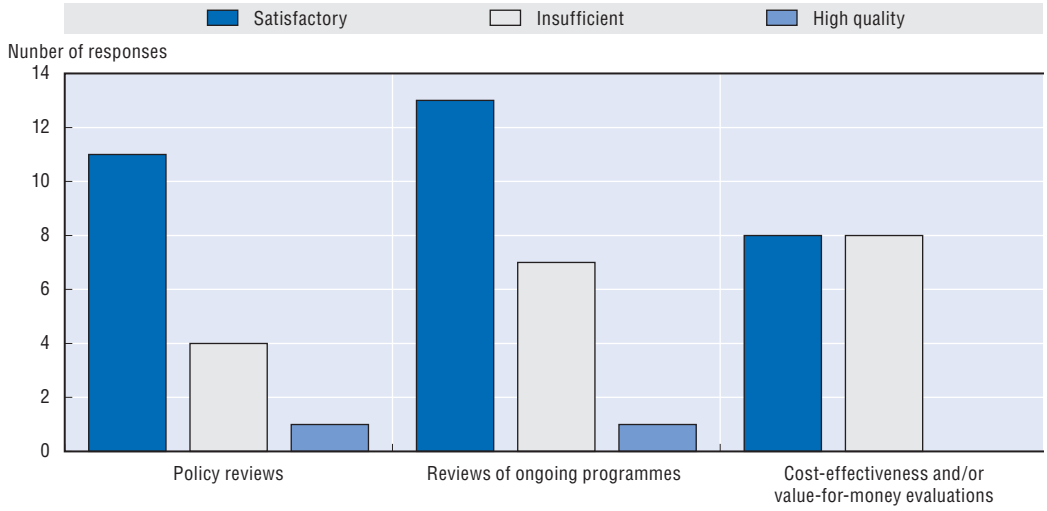
The spending department in the Expenditure Review Initiative played a key role in determining the expenditure programmes and also conducted the review. There was a steering group for each Review consisting of the spending department and the Department of Finance. The Expenditure Review Steering Committee (ERCSC), serviced by a secretariat from the Department of Finance, oversaw the process.

The Comptroller and Auditor General evaluated the Expenditure Review Initiative in 2001. This evaluation concluded that the aim of reviewing all expenditure programmes every three years was not achieved. Many departments were slow to start work on their review and slow in carrying them out once started. By the end of 2000, 62 of the 118 planned reviews had been completed. The quality of the review reports varied considerably. The evaluations tended to be better at reviewing objectives and efficiency than in assessing performance indicators or evaluating effectiveness. Departments relied primarily on line managers in the area under review to do most of the work. A few reviews were contracted out to private suppliers.

A number of improvements were made to the ERI following the Comptroller and Auditor General Evaluation, including building up the skills of those conducting evaluations. Despite these measures, however, the self-evaluation of the ERCSC in 2004 provided a mixed picture. Although 52 Reviews were committed since 2002, only half of them were finished after two years. The topics for review tended to be rather small in some cases, and there were concerns about the evaluation capacity of certain departments.

While evaluations by line departments of their own programmes can be a comparatively less expensive option for conducting evaluations, the experiences of OECD countries highlights that self-evaluation can raise quality issues. Figure 5.3 shows Ministries of Finance opinions on the quality of evaluations commissioned or conducted by spending ministries over the past three years. In general, Ministers of Finance have found evaluations to be satisfactory, relevant and accurate for policy reviews and for reviews of

Figure 5.3. **What has been the quality of the information provided by evaluations commissioned/conducted by spending ministries in the last three years?**



Source: OECD (2005), *Journal on Budgeting* (Volume 5, No. 2).

ongoing programmes. However, very few respondents found any evaluations to be of high quality. They were the least satisfied with cost-effectiveness and/or Value for Money evaluations.

The quality of evaluations is one factor that can influence whether or not they are used in decision-making. In Ireland, it is unclear to what extent expenditure reviews were actually used by departments to improve management or the process of budget allocation.[18] As noted earlier, the quality of evaluations can be improved by including an independent element in the process.

In June 2006, the government announced changes to the Expenditure Review Initiative. It was renamed Value for Money and Policy (VfM) reviews, with a broader mandate, bringing together the various evaluation initiatives, primarily in capital expenditures, that had been introduced in recent years. Additional measures were added, including: the adoption of fixed-price contracts as the norm; the appointment of project managers with individual responsibility for major projects; lowering the threshold for undertaking full cost-benefit analysis for major projects from EUR 50 million to EUR 30 million; reporting by departments and informing agencies of outcomes on projects above 30 million; and peer reviews of ICT projects.

In the new reviews, the Department of Finance was given a much stronger role in co-ordination. It issued guidelines on the conduct of VfM Reviews to departments and created a Central Expenditure Evaluation Unit to promote compliance with these guidelines and best practices in evaluation. Formal policy reviews must now be published and submitted to the select committees of the Parliament. The other elements remained the same as before: evaluation by the spending department, involvement of the Department of Finance via internal steering groups, external quality review by experts and transmission to Parliament.

Two new support structures were also introduced at this time: the Value for Money and Policy Review Central Steering Committee and the Value for Money and Policy Reviewers' Network Committee. The former monitors the review process in departments and

agencies, focusing on the selection of topics for review and progress in the conduct of reviews. The latter offers support and advice to officials undertaking VfM reviews. The Comptroller and Auditor General recently stated that these changes fully address the evaluation deficit found in the evaluation of the ERI.[19]

It is too early to assess the new VfM review framework. This should occur in late 2008, when it is expected that there will be a *Second Formal Report to the Minister of Finance* covering the period 2006 to 2008. However, the two earlier reports identified a number of common shortcomings, even though they covered different periods; many of the reviews were not completed on time.

The reviews undertaken primarily related to smaller spending programmes. This is an issue that has been highlighted by other OECD countries, especially when programmes for evaluation are selected by the line ministries. For example, the Netherlands had a similar experience with line ministries who avoided reviewing large areas of expenditure until interdepartmental requirements were introduced which changed the selection criteria. This, in turn, meant that proposals for policy reviews had to be approved by Cabinet.

Another issue is follow-up on the recommendations of evaluations. Unlike performance measures, evaluation reports – depending on the type of evaluation – can provide explanations for the success or failure of programmes and also make recommendations for future action. Therefore, the production of these reports is only one stage in the evaluation process. If they are to be taken seriously, it is important that they are monitored to see if accepted recommendations are being implemented.[20] In OECD countries, in 67% of cases there is a follow-up process to examine if the actions or activities recommended for evaluations have been carried out.[21] In the Irish VfM reviews, it is not evident that there is a clear process for follow-up. While the majority of OECD countries have adopted some type of follow-up process, in many cases it is the responsibility of the ministry in charge of the programme under evaluation. As in the case of failure to meet performance targets, sanctions do not typically apply for non-compliance with recommendations of evaluations.

The evaluations of VfM conducted by the Comptroller and Auditor General also found that evaluation capacity in departments is variable and that it is unclear to what extent VfM findings are being used in the allocation of resources. It appears that most of these shortcomings still remain today. In April 2007, in a follow-up report on issues identified in his *Value for Money Reports 1997-2000*, the Comptroller and Auditor General noted that there remains "considerable scope to improve performance in the delivery of public services".[22] While the Comptroller and Auditor General been instrumental in reforming the expenditure review initiative into the VfM reviews thanks to these evaluations, it could play a further role in improving the quality of department VfM reviews by examining a certain number of completed reviews at random.

In the 2008 budget, the Minister of Finance announced that all departments and agencies would be subject to an "efficiency review" of their administrative spending. "Back office" functions such as finance, human resources, information technology, legal services, facilities management, travel services, marketing and communications, as well as procurement costs and transactional services were also to be reviewed. In addition, departments will be asked to review the need for Boards and Agencies under their aegis. Departments are to provide specific savings proposals to the Department of Finance by 1 March 2008, which will review the proposals and report to the government. The savings

approved will be applied to reducing spending in 2009. It is unclear how this exercise fits in with the existing reviews.

Although it is too early to evaluate the Value for Money and Policy reviews, several concerns still exist, including co-ordination with other performance evaluation initiatives, evaluation capacity within departments, and the involvement of Parliament. These challenges also relate to the development and use of performance measures. The next section will examine the challenges encountered with the development and use of performance information in decision-making processes.

Current challenges

Several challenges face the Irish public sector as it seeks to improve the use of performance information in decision-making. Some are particularly relevant to the Irish context, such as improving the overall coherence of performance systems and reform initiatives. Other challenges are common to many OECD countries, such as enhancing the capacity of line ministries, integrating performance information into the planning, budgeting and management processes, and engaging key actors in reform process. Each of these challenges will be examined in turn.

Improving the coherence of performance reforms

The way in which all the different performance initiatives are linked together is essential for the overall functioning of performance systems. There needs to be both *horizontal and vertical coherence* (Table 5.3). There are several elements to this coherence: objectives, indicators and methodology. Performance initiatives specifically mention the purpose of the instrument, indicators and methodology. These elements are part of guidelines that have been formulated for the different performance initiatives, such as the former Expenditure Review Initiative, the Performance Management and Development System (PMDS), Value for Money and Policy reviews, and Strategy and Output Statements.

Table 5.3. **Level of coherence across different performance management initiatives**

	Horizontally, across initiatives[1]	Vertically (cascading objectives)[2]
Objectives	Are crosscutting, shared and whole-of-government objectives identified?	Are visions, missions, objectives, and measures consistent across operational/institutional levels?
Indicators/measures	Do initiatives draw from a common set of data/integrated dataset, *e.g.* MIF?	Do targets and objectives explicitly link back to how they support overall strategic objectives?
Methodology	Is technical assistance/capacity building available to improve the quality of performance management?	Is there a common understanding of the purpose of monitoring and evaluation and how initiatives at different levels fit together?

1. *E.g.* VfM, Output Statements.
2. *E.g.* government programme, Department and agency strategies, business plans, Output Statements, annual reports, PMDS.

Irish policy documents do not state the actual or even intended links between the different performance initiatives. While there could be an implicit vision of how the different initiatives relate or should relate to each other, there is no stated strategic policy or design that links them together. Rather, they have evolved over time. This section will therefore investigate the current implementation and the challenges with horizontal and vertical coherence of performance initiatives.

Horizontal coherence of performance reform initiatives

Many performance initiatives are isolated reforms that do not reinforce each other. Although several performance initiatives have been presented under the umbrella of an overarching strategic Public Service reform programme, most are, in fact, not related. More horizontal coherence between Value for Money and Policy (VfM) reviews and Strategy and Output Statements could increase the relevance and effectiveness of both instruments. Departments themselves now select themes for VfM reviews. Although the guidelines stipulate that the topics should represent major policy issues or significant levels of expenditure, this has not always been followed. The selection of the topic for VfM reviews could be linked to the high-level goals of Strategy Statements and the indicators of Output Statements; every year one of these high-level goals could be subject to a VfM review. This would not only ensure that these reviews deal with an important policy or expenditure item, but would also provide more evidence on whether goals in Output Statements have been achieved.

There should now be an enhanced effort in linking together the various reforms (VfM, internal audit, performance indicators, delegation of authority, etc.) for informed planning and decision-making. Many of the initiatives proposed in *Delivering Better Government* have been introduced in an incremental manner without the proper financial infrastructure and expertise in place to support them. Performance programmes could make better use of departmental management information systems and information across different initiatives could be shared more efficiently. It has taken time to implement the required information and financial systems that are necessary to provide full information on performance (see section on Management Information Framework).

Vertical coherence of performance initiatives

Along with coherence of reform initiatives across government, to achieve organisational goals there also needs to be vertical co-operation and coherence between departments and the agencies that are delivering the services. Efforts to increase the clarity of organisational objectives are only useful if they are internally consistent and provide a cascade of objectives that support overall organisational mandates. Currently, Strategy Statements set out the overarching objectives a Department or agency proposes to address to realise policy priorities (for example as set out in the government Programme) and the Key Performance Indicators (KPI) it will use across each division or unit of the Department or agency, to measure performance in meeting these objectives. The preparation of Strategy Statements began informally in late 1994 after the launch of Strategic Management Initiative (SMI), but the first formal Statements only began to be issued in 1997 after the passage of the *Public Service Management Act*. These Statements can be found on departmental websites, can often exceed 50 pages, and vary considerably in their approach and presentation.

The high-level performance indicators set out in the Strategy Statement are broken down into further detail on an annual basis through divisional Business Plans, which in-turn provide a basis for staff to develop their individual Role Profile Forms through the Performance Management and Development System (PMDS) that allows them to set out their own key performance objectives for the coming year and the outputs that will be used to assess their performance. Progress on the Strategy Statements is reported on each year through Annual Reports, and as noted earlier, since 2007, departments are also required to produce Output Statements as part of their budget submissions.

Ideally, these departmental performance reporting mechanisms should allow objectives to cascade down towards divisions and at the individual level. As will be discussed later, this reporting structure needs to be further developed as part of a performance dialogue with agencies. Although strengthening vertical coherence is more of an ideal than an actual practice in most OECD countries, it nonetheless remains a useful standard in determining whether or not different performance initiatives are mutually supportive. Aligning division goals to broader departmental goals could increase the effectiveness of the Public Service in several ways. First, it could improve clarity of performance reporting and thus reduce burden on public servants. Second, it could help determine whether or not all divisions and agencies in a department are contributing to the high-level strategic goals.

The introduction of Output Statements has not yet been well integrated with existing department Strategy Statements and Business Plans, or linked to departmental performance agreements with agencies. Doing so would likely reduce the number of indicators and therefore reporting burden on public servants. The Strategy Statements contain numerous performance indicators, for example, the Department of Enterprise, Trade and Employment contains 30, whereas the Department of Education and Science uses 280. This number of indicators does not express focus, nor does it lead to transparency. Many of these indicators are input- and process- oriented, and output, and outcome indicators are rare. By more explicitly tying Output Statements to the overall objectives laid out in Strategy Statements, departments can clarify the cascade of objectives and better focus on developing a limited number of clear and measurable indicators that can be reused for performance reporting.

In addition, there is no mechanism currently to link deliverables outlined in Strategy Statements (and by association, Business Plans and Role Profile Forms) back into national goals and priorities. While there are no whole-of-government output targets *per se*, at a central level, a number of documents exist – for example the government Programme, Social Partnership Agreement, the National Development Plan, the National Anti-Poverty Strategy, etc. – that set out the high-level overarching priorities or strategic action areas of the government and nation as a whole. Absent such a mechanism, the outputs and outcomes for which bodies are accountable become the sum of departmental targets rather than government-wide priorities. Although these would ideally add up to a coherent government strategy, this is not necessarily the case. Many departments have goals that are potentially conflicting, for example, when it comes to providing means for more transport mobility and environmental goals. As the Public Service is continuously subject to these trade-offs, a whole-of-government strategy could make its policy choices and priorities more transparent.

Coherence is not an end unto itself. Horizontal and vertical coherence of reform initiatives can, however, clarify to all government actors the main purpose, objectives and expectations of the performance system. This avoids introducing reforms with ambiguous priorities, or with multiple and often competing objectives that show no consideration of how these will be achieved, or of how they relate to one another.

Developing capacity of central and line departments

As experiences in OECD countries have highlighted, it is important for the Department of Finance and spending departments to have the authority and the analytical and administrative capacity to implement performance reforms. Performance information is different from financial information. This has resource implications in terms of staffing

and information systems. Staff need to have the relevant training and expertise to collect and analyse performance information.[23]

In order to make judgements and compare performance, the Department of Finance needs the relevant expertise to be able to analyse and evaluate the information received from different spending departments. In Ireland, there have recently been efforts to improve the capacity of the Department of Finance, but challenges still remain. Replacing the Expenditure Review Initiatives with the Value for Money and Policy reviews has strengthened the co-ordination capacity of the Department of Finance. To guarantee better quality of the VfM reviews, a central evaluation unit within this department has been set up. This is a positive step, as it could lead to a more uniform and rigorous evaluation of public policy, but it is questionable whether it is enough. The Department of Finance is involved in the VfM evaluation process via an internal steering group that is rather distant from the operational evaluation process that takes place in departments. Co-authoring evaluations might provide more coherence in quality control. A shift in focus from writing up guidelines to following up on VfM reviews might also be desirable. Current guidelines include extensive publications (110 pages for the VfM guidelines for example) that might form an obstacle rather than a stimulus for departments to become engaged. A brief checklist could suffice.

Efforts made to increase the Department of Finance's involvement in monitoring and evaluating departmental Outputs Statements are so far unclear. Despite the guidelines they stipulate for Output Statements, in practice, there is a wide variation in their quality. Past experiences show that guidelines do not automatically lead to consistent application of an initiative. In addition, it is helpful to facilitate knowledge transfer on how the instruments such as performance measures may be applied through developing best practices and concrete examples of application.

There are also issues with building the capacity of line departments and agencies. In developing performance measures, departments depend on agencies for information. Therefore, like the Department of Finance, they need the capacity to understand and evaluate the information they receive if they are to make judgements as to how realistic proposed targets are, or as to the quality of the performance measures and data.

Even if the interest is there, departments and agencies in some cases do not have the expertise or knowledge to develop performance measures or even effectively monitor performance. This can lead to the passive provision of data that has no real weight in the decision-making process. Building up skills at this level is essential for successful application of the guidelines on several of the performance initiatives.

In terms of conducting evaluations, there are also capacity issues at a departmental level, especially when it comes to the number of staff involved, their skill levels, and the budget available for outsourcing evaluations. There are very few departmental staff full-time on VfM evaluations. In the Department of Education, for example, three to four people are involved in performance evaluation, but none do so on a full-time basis. This contrasts with other OECD countries; such as Canada, where the total evaluation funding is 32 million Canadian Dollars and there are close to 300 full-time staff across the government.[24] All major departments and agencies have internal audit and evaluation units and in 2004/05, evaluations covered approximately 10% of departmental programme funding.

Departments are engaged in a partnership with a Public Policy Analysis Programme of the Institute for Public Administration (IPA): they nominate two candidates per Department to follow this two-year programme, part of which entails working on a VfM evaluation. Since there are no internal evaluations units in departments and since these candidates come from across the departments, they will return to work on departmental evaluations.

Staff capacity has played a role in delivering timely reviews. For example, with the rapid growth in expenditures and new programmes, it has become extremely difficult to assess all expenditures within a three-year time frame. Priority for evaluation has been given to those programmes funded through the EU Structural Funds and the National Development Plan (NDP). Evaluation is a requirement of the EU regulation, and as these funds, in turn, are co-financing elements of the NDP, the government has decided to evaluate all expenditures under the NDP. In line with EU regulations, the NDP is subject to *ex ante*, ongoing, and *ex post* evaluations. As most departments have some amount of NDP funding, priority has been given to these programmes at the expense of non-NDP/EU funded programmes.

While progress has been made in trying to develop the capacity in the Department of Finance and departments, more needs to be done in the area of developing skills and monitoring performance measures and targets. This is a long-term approach that requires investment in recruitment, training and systems.

An unknown is the impact of the government's administrative relocation programme, especially if the expertise acquired over the recent past needs to be reacquired in the transition to new locations. Although training programmes are now in place, the administrative relocation exercise has forced many departments to retrain staff, when those currently involved in the evaluation decide not to relocate.

Integrating performance information into the planning processes

A number of OECD countries have reported that the development of performance information has generated a greater emphasis on planning and has resulted in a move towards outcome focus in policy design and delivery. These reforms provide a mechanism that enables politicians, if they choose to use it, to clarify objectives. The reforms have proved to be a useful tool for setting priorities over the short- and medium-term and can clarify what results are expected from the public sector. If this system operates successfully, it can provide a mechanism for governments to set clear priorities, see how national programmes fit in and contribute to these goals, and measure the actual results and performance of these programmes.

This approach aims not only to elucidate the government's priorities, but also to see how individual programmes fit under the government's wider policy objectives or outcomes. In order to make it clearer to politicians how different policy areas and programmes contribute towards strategic objectives, countries have sought to align programmes with objectives. Some OECD countries, for example Australia, the Netherlands, New Zealand and Sweden, have redesigned the presentation of their budget in an effort to make it clearer how programmes fit under wider political policy objectives.[25]

In Ireland, the performance approach has yet to be applied in a coherent manner that would enable it to improve the planning process. As described in the section above on vertical coherence, there are still challenges in terms of establishing links between Output

Statements and Strategic Plans and between performance reporting in general and national strategic plans such as the National Development Plans. To date, there has not been an extensive development and use of performance information as part of the planning process.

If the government wishes to translate the broad policy goals into desired results, it is important to develop a common whole-of-government planning and reporting framework. Such a framework would enable government-wide strategic planning and reporting and improve transparency. It could help set government-wide objectives which cut across organisational boundaries, assist with prioritising goals, and help show how new and existing programmes relate to government priorities. It could also allow for the comparison of expected and actual performance results.

The current Irish process is a combination of separate top-down National Plans, which have traditionally concentrated on infrastructure, and separate bottom-up departmental Strategic and Business plans. These two planning approaches need to be more closely integrated with each other and with the department Outputs Statements, cascading down with agency performance agreements. The objectives of the National Plan and other government-wide priorities need to be clearly reflected in the departmental Strategic Plans and operationalised in Business Plans. At all levels, these plans should contain clear goals and measurable targets, which should form the main basis of the Output Statements. This would facilitate a closer link between the planning and performance frameworks.

There would, however, need to be improvements in the current development of output measures and evaluations that will need to be linked to existing plans and policy goals. Output indicators would also need to be measurable.

In many cases, it is unclear how the strategies and outputs contribute to the high-level goals. Although developing Output Statements can lead to strategic rethinking of policies (as has been the case in certain OECD countries), because they question whether or not programmes help achieve policy goals; this has not happened yet in Ireland. The Output Statements seem to take current policies and programmes as a given, rather than as a means of achieving a selected set of well-defined and measurable policy goals. Not surprisingly, the use of the Output Statements in the policy cycle has so far been limited. There is currently no clear relationship between the Output Statements and new planning and budget cycles.

Performance information in the budget preparation and negotiation process

It is not clear how performance information will be integrated into budget preparation or in negotiations between the Department of Finance and departments. While the Department of Finance has a role in developing guidelines for outputs and evaluations, there do not appear to be any formal requirements along with proposed spending to present this information as part of budget negotiations. OECD countries have taken different approaches to incorporating performance information into the budget negotiations. The recently announced "Efficiency Reviews" are to identify savings which will be used to reduce spending in 2009. However, it is unclear whether this is a one-time exercise only, or how it fits in with the Value for Money and Policy Reviews.

In most countries, budget negotiations have traditionally included some element of discussion on planning. Performance budgeting has formalised this process and has placed a greater emphasis on setting targets and measuring results. This is clearly the case

in New Zealand and the United Kingdom. In the United Kingdom, each department develops three-year spending plans and Public Service Agreements that include performance targets negotiated with the Treasury. While factors such as political priorities and economic considerations influence the allocation of funding, performance targets are used to ensure performance returns in exchange for incremental increases in expenditures. This system has experienced some problems with gaming and manipulation of performance information, which itself was a result of an overemphasis on performance targets.[26] It has, however, improved planning and created more of a performance focus.

Approaches in other OECD countries include evaluating the performance information produced by agencies and using this information as part of budget negotiations. For example, the United States PART (*Programme Assessment Rating Tool*) exercise, which is led by the Office of Management and Budget, rates agencies based on their responses to a questionnaire as effective, moderately effective, adequate or ineffective. These scores feed into the budget process, although not necessarily on an annual basis for all departments and agencies. PART ratings do not result in automatic decisions about funding, but they can influence these decisions.[27] The Korean government has adopted a similar programme rating exercise called the SABP (*Self-Assessment of the Budgetary Programme*). The Australian Finance Ministry has developed a list of questions to assist in diagnosing the quality of performance information; the list is also useful as a framework for monitoring improvement over time. The questions are used by Finance as a basis for dialogue with agencies about the quality of their performance information. In the Netherlands, the Interdepartmental evaluation reviews have been used in budget negotiations as well as being presented to Cabinet.

In Ireland, stronger links between the budget preparation process and performance information could strengthen focus on policy results. The budgetary process is, by definition, oriented towards inputs, but there is, in principle, room for discussion on outputs that are to be achieved from budget increases. Combined with medium-term expenditure frameworks, which in theory inform agencies of their funding for the next two or three years (depending on the length of the framework), the provision of performance information makes it easier to plan the spending available to achieve goals over the coming years. Performance information can provide a clear and logical design that relates resources and activities to expected results. Ireland currently has a medium-term expenditure framework without ceilings for overall as well as departmental expenditure. Spending plans in the medium-term expenditure framework should be linked with Output Statements (performance plans) so as to enable more long-term planning and a greater focus on results. The use of expenditure ceilings as is the case in the UK, the Netherlands and Sweden, would help overcome fears of overspending resulting from any relaxation of input controls.

Performance information can help in achieving this performance orientation, and thus stimulate political debate directed at finding the balance among the various societal demands. Experience in other OECD countries, such as the United Kingdom and the Netherlands, shows that the introduction of performance measures can facilitate a budgetary debate that is more output-focused. It should be clearly stated that performance information would not serve here as a tool to cut spending, but rather to improve public sector effectiveness.

Incentives could be strengthened by clarifying the goals of the reforms and by clarifying how this information will be used in budgetary decision-making. Across OECD countries, line departments fear that performance information will be used to cut budgets and eliminate programmes. In Ireland, like other OECD countries, this fear makes departments reluctant to share performance information as they think that it will be used for legitimising budget cuts.

In practice, however, in the majority of cases, OECD Ministries of Finance do not use performance results to financially reward or punish agencies. Table 5.4 shows the percentage of Ministries of Finance in OECD countries that often use performance information (evaluations or performance measures) to eliminate programmes, cut expenditure, or to determine pay.

Table 5.4. **Percentage of Ministries of Finance that often use performance information for action**

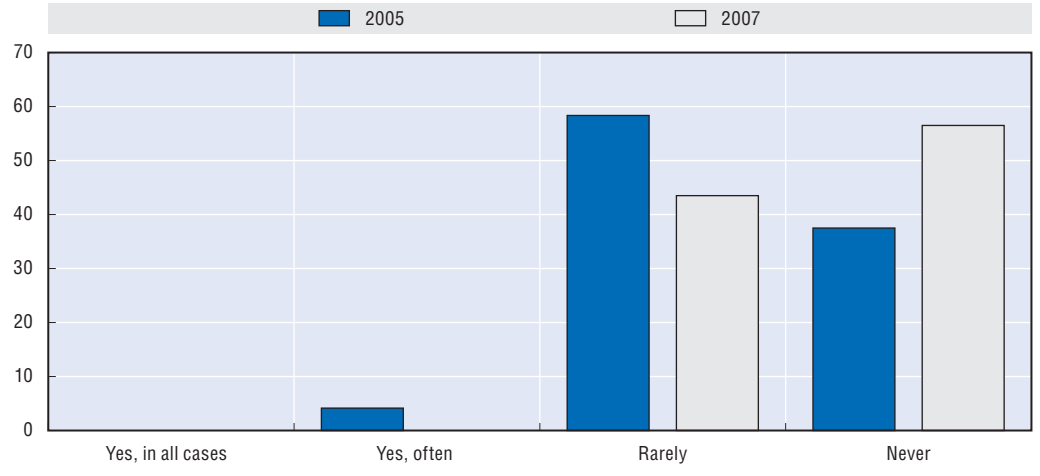
	Performance measures (per cent)	Evaluations (per cent)
To eliminate programmes	4	11
To cut expenditure	10	15
To determine pay	11	5

Source: OECD (2007), *Performance Budgeting in OECD Countries*.

As can been seen from Table 5.4, it is rare that performance information is used by Departments of Finance when deciding on these courses of action. The difficulty in linking funding to results reflects the fact that the issues and context surrounding budget decisions are complex. Budgetary decision making takes place in a political context, and proposals to cut back or eliminate programmes can encounter political resistance, especially if they benefit important political groups or are high political priorities. Figure 5.4 below shows that OECD countries rarely eliminate programmes based on poor performance.

Figure 5.4. **Elimination of programmes by the Ministry of Finance if performance targets are not met**

Percentage of OECD countries, selected years



Source: OECD (2007), *Governance at a Glance*.

There are also a number of technical and incentive issues with financially rewarding good performance and punishing bad, which make it questionable if this approach on a government-wide scale will actually motivate agencies to use performance information to improve performance. It is intuitively appealing to reward good performance, but a method that automatically does this would not take into account government priorities or budgetary constraints. An approach that cuts funding without understanding the causes of poor performance (which could also be based on lack of funding) could make the situation worse and condemn badly performing agencies to continue to underperform. Performance measures do not explain the underlying causes of poor performance. Performance in any given year can be influenced by a variety of factors, both internal and external, that may or may not be within the control of an agency.[28] Furthermore, in some OECD countries it is uncertain if the performance information is of sufficiently high quality to be used in budgetary decision making.

In addition, a mechanical approach can generate perverse incentives and encourage agencies to manipulate data. Incentives to provide accurate information are influenced by the expectations of how it will be used in decision-making. If funding is tightly and automatically linked to results, there can be incentives to engage in gaming and to manipulate data in order to receive more money or to avoid receiving less. An observation made over 30 years ago still holds true today: it is politically irrational to expect agencies to provide objective information if it will be used to cut back their programmes.[29] Automatically linking performance to results on a systematic government-wide scale is not the best approach to promoting the production of credible information or encouraging agencies to focus on maximising their use of performance information. Most OECD countries have not done this, perhaps realising the difficulties of adopting such a systematic approach.

While Ministries of Finance do not financially punish or reward agencies for their performance, they do use performance indicators to hold ministries to account. Performance indicators act as a signalling device that highlights problems within a programme or agency.[30] Information on poor performance serves as a trigger for the Ministries of Finance to more closely monitor or review agencies and programmes. The most common course of action taken by Ministries of Finance against poorly performing agencies is that resources are held constant and the programme is reviewed during the course of the year. Other actions include maintaining programmes on condition that they perform well in the future.

When deciding how best to integrate performance information into their budget process, the Irish have a variety of approaches that are different from OECD countries. The performance-based system that has been introduced is compatible with controlling spending through expenditure targets and/or ceilings, and also shifts the emphasis towards performance, in line with the demands of politicians and citizens.

Integration of performance information (PI) into management processes and decision making

Ministries and agencies use performance indicators most often to manage programmes and to implement policies. Setting goals and targets can provide a clear focus for achieving improvements in service delivery. Adopting a results-focused approach permits managers to deal strategically with the delivery of services. In designing these systems, they address fundamental questions such as: is this service necessary? Is it

appropriate for the problem being addressed? What is the intended objective of this service? What is the proposed outcome? How can the service be best designed to achieve that outcome?[31] If agencies are given the flexibility and authority to do so, they can organise their structure and operations to achieve their goals more effectively.

Performance indicators provide basic information on the cost and quantity of services, as well as more complex information on whether or not internal processes contribute to the efficiency or effectiveness of service delivery. Information on the level and quality of services delivered to external stakeholders and on standards of service delivery is also provided. In addition, ministries in internal budgetary decision-making can use this information to facilitate the best reallocation of funds to achieve results.

The performance-based management approach has been widely adopted in OECD countries. Approximately 50% of countries report having a system of performance management, which incorporates the setting of and reporting on performance targets, and their use in the internal decision-making processes of ministries and agencies.[32] This includes internal decisions on changing work processes, setting programme priorities, and reallocating resources within programmes.

While some Irish departments have embraced performance reforms and reorganised their processes and structures, such as the Office of the Revenue Commissioners, many departments have not embraced the opportunities presented by these initiatives. Since it is mainly the agencies that are delivering the service, it is important that performance criteria and targets are a key part of their oversight. However, many departments are currently meeting their agency control function by focusing on input indicators, such as the number of staff and budgets. As a result, agencies invest less energy in monitoring performance, and thus in determining and agreeing with their department on appropriate performance indicators. When this information is available, the responsible department does not usually present it. The proliferation of agencies adds to the fragmentation of the availability of performance indicators. Some agencies have also developed indicators, but these are, again, mostly on inputs. According to a report of the Comptroller and Auditor General on performance in public services, the information on inputs, activities, output and outcomes is limited as well as the availability of evaluation of results. They conclude that some progress has been made, but that the overall level of improvement has been disappointing.[33]

The development of Output Statements is still at an early stage and there is clearly both room and time for improvements in both the development and use of performance information in departmental management and oversight. The performance dialogue between departments and agencies could be improved by ensuring that the performance agreements between departments and agencies concentrate on external performance targets, which reflect the performance of the agency and, where possible, the service delivered to the users. These targets should be decided upon as part of a performance dialogue, so that agencies rather than ministries feel ownership of the targets. Integrating the contracts of the agency chief executive with that of the agency can help to guarantee coherence between the objectives of the agency and those of its chief executive.

Engaging politicians in the performance dialogue

Performance measures can be used as powerful tools for informed political decision making. They will not make large impacts on public sector effectiveness, however, unless

this information is used as a tool to better weigh political choices. Dialogue on performance targets and information is thus essential. This can take several forms: between ministers and the Prime Minister; as part of the deliberations of a cabinet committee; and as a parliamentary debate.

Having an institutional mechanism at cabinet level (such as a cabinet committee) could help to increase political awareness of performance issues. In Australia and Canada, Cabinet is involved through selecting policy and expenditure areas for review. In the UK, the involvement is more extensive with the special Cabinet committee examining performance. Despite criticism about the performance measures used in the UK, they have nevertheless managed to put public service delivery on the top of the political agenda.

The parliamentary debates could be focused more on performance and the output of the Public Service. In the Netherlands, a budget accountability day was introduced in addition to the regular budget presentation day. At this annual accountability day, the government is held accountable on its report on output targets achieved over the last year.

So far, the Dáil has had limited involvement in performance evaluation in general. This is particularly the case for Value for Money and Policy Reviews. With the possible exception of the Public Accounts Committee, the interest of Parliamentary committees to discuss the reviews sent to them has been limited. An explanation could be the minor influence that the Dáil has in determining the subjects of the Reviews, not only with respect to Value for Money and Policy Reviews, but also when it comes to the Value for Money audits by the Comptroller and Auditor General. The Public Accounts Committee cannot ask the Comptroller and Auditor General to commission these audits, as it only has the power to advise on the work program of the Comptroller and Auditor General. The Dáil's own capacity to evaluate programmes is also limited: The Public Accounts Committee has only conducted research on two themes last year. There was little interest from Parliament in the new departmental Outputs Statements, but this can partly be explained by the fact that they were presented to the Dáil just before an election.

In most countries it has been difficult to bring performance indicators to the attention of politicians, other than ministers with direct oversight responsibility, and to get them to use it. Only 19% of OECD legislatures use performance indicators in decision-making. The percentage is even lower – 8% – for politicians in parliamentary budget committees.[34] This is despite the fact that in some instances the legislature, and not the executive, initiated these reforms.

In many cases, however, politicians complain about receiving too much information of variable quality and relevance. Often the information is presented in an unclear or incomprehensible manner. Politicians in the legislature and in the executive have different informational needs. To be useful, the information needs to be tailored to their requirements. It should also be provided at the right time for the relevant decision. As noted earlier, a key challenge is to create good quality and relevant information that takes into account of the timing and capacity constraints under which political decision-makers operate.

This section has concentrated on the government-wide framework for developing and using performance information to improve decision making and performance. The next section examines changes in accountability and the incentive structures needed to support these initiatives.

Improving performance through competition

This section examines attempts to improve performance, in particular, in the delivery of public services, through strengthening competitive pressures. This includes introducing market-type mechanisms such as contracting out and Public Private Partnerships.

Strengthening competitive pressures

There is a move among OECD countries to decouple public funding and service delivery in the interests of both improving service delivery and increasing cost efficiency.[35] When successfully accomplished, this has led to market efficiencies. As the needs and requirements of the population change, governments can find themselves entering new territory in which they lack expertise and/or the institutional arrangements necessary to appropriately monitor the efficiency and effectiveness of performance.

What role does government play in service delivery? To what extent should it be involved? In some areas, public sector involvement must be retained in order to ensure that vulnerable groups or those on the margins of society are not disproportionately affected. In other areas, the private sector can either deliver a service more efficiently and effectively, or serve as a catalyst to improve public sector performance simply by introducing competitive pressures. This can involve the privatisation of service provisions that are primarily commercial in nature or devolving certain activities to alternative service delivery providers, such as local government or agencies (see case studies on Waste Management and Managing Agencies). Closer co-operation between the public and private sectors at the policy planning stage can facilitate the development of alternative options for service delivery, which can meet the needs of a more complex environment.

Privatisation

With the greater liberalisation of markets at the EU level, thanks to measures such as the Lisbon Agenda, Ireland has opened up markets in a number of areas since the late 1990s. However, when it comes to state involvement in commercial and potentially competitive industries, Ireland is around the middle of the pack.[36] State-owned firms continue to monopolise post, energy, transport (*e.g.* bus, rail, ports), health insurance, and forestry industries. Even where there are no formal barriers to entry, attracting competitors to a market can be challenging, partly because state-owned companies benefit from lighter regulatory oversight. They also benefit from a lower cost of capital due to implicit guarantees or implicit subsidies (or cross-subsidies), and from any dominant position they may retain from their days as protected monopolies.

Procurement/Contracting out – Agencies

An open, objective and transparent public procurement system, with well-documented and well-understood guidelines and procedures, ensures that transactions are carried out in a fair and honest manner while securing the best value for public money. Contracting authorities must be cost-effective and efficient while upholding the highest standards of probity and integrity. In Ireland, government departments are required to develop and include public procurement policy objectives as part of their strategic frameworks, and within each department, the Finance or Accounting Officers are accountable for seeing to it that the proper procedures are followed. Procurement practices are subject to audit by the Comptroller and Auditor General.

To assist public servants (and particularly civil servants) in meeting national and EU obligations, the National Public Procurement Policy Unit (NPPPU) was established in the Department of Finance in 2002. This Unit is responsible for the formulation of policy, dissemination of best practice and guidance in public procurement, as well as delivery of an e-procurement strategy. It has also developed explicit guidelines for competitive tendering/procurement.[37] Recently, guidelines were issued to encourage "aggregation" of public sector purchases from the same body and/or from different public sector bodies to procure common goods and services from the private sector in order to achieve cost reductions. Guidelines are revised and updated as required and published on *www.etenders.gov.ie*. This is a central website for all public sector contracting authorities to advertise procurement opportunities and award notices. On a daily basis, the website displays opportunities that appear in the national or local press, in addition to opportunities specifically posted by awarding authorities, and those advertised in the Official Journal of the European Union (OJEC).

Contracting out certain existing activities to private operators or carrying out public activities on a commercial basis can also promote efficiencies and generate cost savings. These savings arise in part from efficiency gains from economies of scale and specialisation that can be exploited through outsourcing. Contracting out activities can be divided into three groups.[38]

- **Support services:** Activities such as cleaning of buildings, facilities management, waste management, operation of food outlets, provision of security, etc.
- **Back-office activities:** Activities that are considered ancillary to the core mission of the department or agency, such as information technology functions, banking and financial services, legal services, training, etc.
- **Mainline functions:** Activities previously carried out by the government, such as operation of infrastructure assets (*e.g.* transportation, prisons, water supply, and sewerage), emergency rescue and fire service, food inspection, audit, research and development, welfare, education and health services, etc.

Contracting out can allow a constant quality of service to be provided at lower costs, as documented by a number of case studies.[39] Issues on this subject that will need to be addressed include: Those staff directly affected by moving a service they previously provided to the private sector; ensuring competitive supplier markets; realistic pricing by bidders; transparency; and contract clarity. Among OECD countries, contracting out has increased significantly over the last 20 years and has shown to be applicable to a wide range of government services. While there are constraints in monitoring the delivery of the service at arms-length, services that have been contracted out rarely revert back to the government. Outsourcing is expected to continue to increase in the future.

Contracting out for the provision of publicly-funded services and support functions (*e.g.* building maintenance, architectural services, street cleaning) has not been systematically used in Ireland: the Office of Public Works largely provides such functions for the Civil Service. However, there have been more cases of contracting out non-core functions. For example, in January 2002, a private company was contracted out to undertake the mandatory National Car Test (NCT) for all cars over four years of age. The management of on-street parking, clamping, etc. in Dublin has been contracted out to a private company which has significantly reduced the frequency of illegal-street parking and raised additional revenues for the City Council. Waste collection has been devolved to

private agents in many local authorities, even though contracting out may have been a more controlled approach (see case study on Waste Management). Given the backlog in completing financial audits on time, the Office of the Comptroller and Auditor General has made extensive use of private sector firms.

The provision of some social services has been contracted out to non-profit groups. However, this has been criticised by groups involved who claim that in order to provide services of equal quality to those of the Public Service, comparable compensation needs to be paid, which would obviate any potential cost savings (though possibly still bringing services closer to citizens). Concerns have also been expressed regarding the monitoring and management of companies that are contracted out to provide such services.

There appears to be little direct guidance from the Department of Finance regarding the outsourcing of services. Managers would benefit from a guide comparing the cost of delivering a specific service in-house with the cost of contracting-out for services. Other considerations are: the availability of suppliers; assessment of risk; security; and possible dependence on private sector monopolies. Another issue to consider is the likelihood that contracting out would assist in the development of a specialised service industry with wide markets. Managers, as part of the Value for Money and Policy Reviews, should aggressively examine potential candidates for contracting out.

User charges

Experience in OECD countries shows that user charges can be an effective means to reduce excessive demand for some publicly-funded services by making users more cost conscious. Ireland has been employing new or increased user charges to improve efficiency and control costs. All local authorities now charge a levy for waste collection (see case study on Waste Management), although significant variations exist regarding as to whom is liable for charges. In some local authority areas, particularly those where the local authority has retained control over collection, the elderly or those on low-incomes can have charges waived, whereas in other areas, all citizens are liable to pay charges irrespective of their circumstances. However, many services provided by local authorities continue to be provided for free or at low cost. In some cases, it may be appropriate to increase charges or introduce new charges. For example, Ireland is unique among OECD countries in currently not charging domestic consumers for water services; domestic charges were abolished in 1996, although business/commercial users continue to pay water rates. Drinking water quality and sewerage treatment requirements are becoming more stringent and water/sanitary services are getting more expensive to provide and operate. A charging regime for water and/or sewage services could contribute to a more efficient use of what is becoming an increasingly expensive resource. The additional revenue could contribute towards the updating and maintenance costs of the water and sewage systems and would support the long-term objectives of encouraging more sustainable patterns of consumption.

Public Private Partnerships

Private Public Partnerships (PPPs) refer to arrangements where the private sector supplies infrastructure assets and services that traditionally have been provided by the government. PPPs are mainly used to build and operate hospitals, schools, prisons, roads, bridges, tunnels, and water and sewage treatment plants. The use of PPPs can be an effective tool for promoting efficiency and improving the delivery of public goods and

services. Private financing can support increased infrastructure without immediately adding to the government debt. At the same time, innovation and better management by the private sector can lead to increased efficiency that, in turn, should result in better quality and lower service costs. However, the use of PPPs is not without risk. It is hard to write contracts that are robust yet flexible enough to accommodate changing circumstances. Moreover, it is the contractor who generally holds the upper hand if the government wants to renegotiate. Governments may have to bail out failing companies or complete projects in cases where the private contractor has gone bankrupt. In some cases, PPPs may have been used simply as an accounting ruse to shift long-term financial commitments off the government's balance sheet, especially in times of fiscal difficulties. Many countries have learned from experience how to minimise these problems and recent evidence places PPPs in a better light.

Ireland has embarked on the use of PPPs for priority infrastructure projects under the National Development Plan. The initial approach was to undertake a number of pilot projects as a means of identifying the demand and potential, as well as the risks, of the PPP mechanism. The first project, involving a bundle of five post-primary schools projects, began in 2000. As of September 2007, there are nearly 70 projects at various stages, primarily in roads, environmental services and schools. The government has set a target that 13.6% of capital spending in the 2008-2012 period (almost euro 8 billion) should be administered through PPPs. This does not include PPPs funded by user charges; these amount to an additional euro 1.6 billion approximately and bring the total percentage up to just over 16%. When measured as a proportion of national income, this would make Ireland's programme by far the largest in the OECD.

In 2004, the Comptroller and Auditor General assessed "The Grouped School Pilot Partnership Project". The Office found that it had taken less time to procure the five schools using the PPP approach than under the conventional approach. Originally, the Department of Education and Science had estimated that the PPP approach would result in savings of around 6% compared to the conventional approach. However, the Comptroller and Auditor General discovered an error in these calculations and estimated that the projected costs under the PPP approach was 8% to 13% higher than the projected cost of procuring and running the schools using the conventional approach.

These initial findings, along with experiences in other countries, prompted the government to make changes to the PPP programme. To provide support for the development of PPPs and to minimise some of the risks associated with PPPs, systems of control and expertise were established. An affordability cap was placed on all potential PPP projects before they were launched for tender. For all large projects, a formal process auditor was appointed to ensure compliance with all regulatory and administrative procedures. A Central Public Private Partnership Unit was set up in the Department of Finance to develop the legislative framework, technical and policy guidance to support the PPP process, and to disseminate best practice in PPPs. The government has established the National Development Finance Agency (NDFA) to assist in providing cost effective financing for priority infrastructure projects as an alternative to up-front Exchequer funding. To address skills and capacity issues arising from the complexity of the process, a Centre of Expertise was inaugurated within the NDFA in July 2005. It was responsible for the procurement of all new PPP projects in the central government, with the exception of roads and rail. Individual ministers will continue to be responsible for all aspects of the assessment and approval of PPP projects, including the decision to set up a PPP, set project

budgets and output specifications, etc. The Centre of Expertise will be responsible throughout the bidding process and construction phase, and hand back the completed projection to the department after completion.

Ireland initially adopted a cautious approach to the use of PPPs, setting up a number of pilot projects. Although these projects are now completed, their evaluation and assessment has not yet been completed. For example, the Department of Education and Science is currently drafting terms of reference for the five-year examination of the grouped schools' project for 2008. The Office of the Comptroller and Auditor General has already published two examinations of this project to date. Meanwhile, Ireland has embarked upon a very ambitious programme, earmarking 13.6% of capital spending to PPPs. It is still too early to assess the impact of the Centre of Expertise, as it has only recently been established. In addition, the Centre does not deal with PPP projects involved in roads and rail, which encompass the largest investment under the PPP programme. On paper, Ireland's guidelines on the use of PPPs recognise the potential benefits and risks associated with this type of financing mechanism. It will be important to ensure that these guidelines are adhered to and that the government does not bail out a private sector partner who gets into financial difficulty.

Moving from a compliance to a performance culture

Improving performance is not just about introducing individual reform initiatives. It is also concerned with how these initiatives operate within, and impact on, the whole-of-government system. These techniques are applied within an existing institutional framework and cultural context, which can either support or hinder reforms. Thus, it is important to ensure that the reforms form a *coherent approach*, which is compatible with accountability and incentive structures.

Traditional bureaucratic culture emphasises compliance with rules as opposed to improving performance. A performance culture is one that promotes people, money, and organisations working together towards translating common goals into results. Changing to a performance culture requires motivation and means. Motivating performance is about altering the attitudes, focus and incentives of leaders and employees and aligning the systems, organisations and money in a manner that provides the flexibility to innovate.

Promoting performance is complex as it involves altering not only formal structures, but also the informal incentives and culture which underpin the system. Governments as well as individual organisations have their own cultures, beliefs, values, and norms which establish acceptable behaviour. To advance a performance culture, a whole-of-government approach is needed in order to understand the behavioural changes required and the incentives available, both formal and informal, to achieve these changes. Many OECD countries, including Ireland, have introduced reforms that have changed formal structures and processes, but have not resulted in the intended changes in behaviour.[40]

Despite the reforms following from the SMI, the overall political and managerial systems in Ireland, to a large extent, are still based on a compliance culture that emphasises controlling inputs and following rules. Although there have been changes in formal structure and processes, there has yet to be a shift in systems and incentives that would support a move to a performance culture that would make full use of the mechanisms in place to their intended purpose.

This section is divided into two parts. The first examines the compatibility of traditional accountability structures with a performance approach that advocates increasing managerial flexibility. The second examines possible incentives to promote performance.

Aligning accountability and performance structures

Traditional accountability structures emphasise controlling inputs, compliance with rules and regulations, and hierarchical structures. Operational budgets detail items of expenditures (*e.g.* travel, personnel and supplies) and require *ex ante* authorisation of spending by central agencies. Internal spending units assure compliance with spending rules and each individual transaction is audited. Traditional managerial structures are hierarchical; all decisions are made at the top. *Ex ante* approval is required for many actions, and promotion is based on length of service. The incentive structures and systems emphasise controlling processes and compliance with rules. The underlying message is that managers cannot be trusted and must be controlled.

The traditional approach, while it can help to limit corruption, can also inhibit efficiency and performance in a number of ways. It creates incentives for spending Ministers to use all the resources provided to them or risk cuts in their next budget. There are also issues with information asymmetry and budget-maximising behaviour. Agencies that provide the services know more about the outputs and their cost than the ministry allocating resources. The ministry not only lacks cost information, but also independent information on performance. To obtain more funds, the agencies just need to manipulate or withhold information from their oversight bodies. These traditional structures also create rigidity. Managers have little motivation or opportunity to use their skills and programme knowledge to improve efficiency. Detailed *ex ante* controls are costly in that they slow down responsiveness. It takes time for staff to comply, and they drive out initiative and desensitise managers to results.

Most OECD countries have adopted reforms that move away from this traditional model, towards a more performance-focused approach. This involves different reform initiatives already discussed in this chapter, performance management and budgeting, performance measurement, improving financial management and tracking of public expenditure, using market type mechanisms, and giving agencies operational freedom. This model calls for a relaxation of financial and managerial input controls and an increase in managerial flexibility in areas of spending and staff. In sum, managers are trusted to improve performance, are given the freedom to manage, and are held accountable for resources and results.

In practice, OECD countries have taken different approaches to the relaxation of input controls with the introduction of formalised performance information.[41] In some countries changes were introduced prior to the introduction of performance management and budgeting in an unrelated reform initiative.[42] For example, the Nordic countries – especially Denmark and Sweden – have a long history of executive agencies, decentralisation of managerial responsibility, and relaxation of input controls. In many countries, single appropriations for operating costs have been introduced, thus enabling much greater flexibility. In contrast, countries such as Chile and Korea have introduced these reforms without a corresponding relaxation of input controls,[43] although both countries are now considering ways to increase the flexibility of line departments.

In Ireland, the *Strategic Management Initiative* and *Delivering Better Government* both supported the objectives of increasing flexibility and shifting the focus of managerial and financial systems towards performance. Despite these formal policies, however, in practice the implementation of these initiatives has been modest and slow.

Many financial and managerial inputs are still centrally controlled. The Department of Finance has the traditional approach of controlling inputs of budget and staff. The budget process is incremental with little formal discussion of performance information in the dialogue between departments and the Department of Finance. There is an effective hiring limit on overall staff numbers, and departments have limited capacity to reallocate resources internally. While the Department of Finance has a legitimate responsibility for containing aggregate public spending, a process of top-down budgeting would also support fiscal discipline while allowing more flexibility to departments.

The Irish system of financial control is relatively centralised, especially when compared with Denmark and Sweden for example, which have single appropriations and expenditure control exercised at the spending or responsible-unit level, or with the more managerial accountability approach of the UK. At the department level, changes have been made in Ireland with respect to administrative budgets (primarily the operating costs). The objective is to provide departments with some flexibility as a means to achieving greater efficiency and effectiveness in managing their administrative budget over the three-year planning cycle set out in the budget. However, progress in this area has been relatively slow. There are still strict controls on overall staff numbers and little flexibility in reallocating among inputs, *e.g.* person-years to contracting out. Many managerial aspects of recruitment, promotion, pay and mobility in practice lack flexibility and remain centrally controlled when compared with other OECD countries (see chapter on Capacity).

There are a number of possible explanations for the general reluctance to relax input controls and increase flexibility. The very high budget deficits in the 1980s left a cultural and systematic legacy, which continuously stressed controlling inputs and overspending. The Department of Finance's lack of enthusiasm for increasing flexibilities may also stem from concerns over the capacity of departments to manage new responsibilities.

In addition, many of the mechanisms needed to support increased flexibilities, such as delegated financial and performance management systems, as well as systems to develop and gather performance information, have only recently been put in place. These initiatives to support delegation, such as Management Information Framework (MIF), and the Performance Management and Development System (PMDS), have been implemented at a very slow pace and in an uneven manner. Without proper performance information, performance management systems lose much of their meaning. This can undermine the seriousness and credibility of performance initiatives. Without performance information upfront, for example, it is not possible to establish baselines to determine how well a government body was doing prior to a performance reform, and therefore there is no way of measuring the extent of the improvement. In addition, the Management Information Framework (MIF) has become over-complicated and unwieldy by trying to be all things to all people. Producing usable information, however, even on a limited scale, would have helped strengthen the PMDS, as well as made it more useful as a management tool.

With the implementation of the MIF, a structure is now in place to provide departmental managers with the information required for better and informed decision-making and resource allocation. This should allow the greater delegation of financial responsibility and

control by the Department of Finance to the departments and agencies and allow each line department to be his/her own ministry of finance. If properly implemented, this would permit "managers to manage" and be more accountable for their actions. The price for this increased flexibility is a greater reliance on performance information.

There have been some increases in flexibility with carrying over a set percentage of unspent capital funds into the next year, and moving to a system of internal financial audit at the department level with more *ex post* controls. The creation of agencies was related to an administrative and political drive to separate service delivery functions from central departments, although it did create opportunities to improve systems to monitor and improve performance. In the absence of any overarching strategic vision or guidance on how best to achieve improved performance, or on how to effectively encourage agencies, there is significant variability in the quality and effectiveness of control and reporting procedures across public service agencies.

To improve performance, it is insufficient to only give financial and managerial flexibilities; departments and agencies have to actually use them. Some departments and agencies have taken advantage of flexibilities to transform their organisation and improve performance, but many have not. In Ireland, earlier performance initiatives were implemented with the aim of strengthening budget discipline. Many departments therefore still associate the effort to improve performance with fiscal discipline. In other OECD countries, failure to take advantage of flexibilities stems from many sources, including the overall governmental or individual department's incentive structures, and a culture which continues to emphasise controlling inputs, despite reforms. In addition, change requires leadership, but fear of punishment or lack of positive incentives can prevent leaders from taking action.

By analysing the impacts of the US "Reinventing Government" initiative, it becomes clear that central agencies can increase flexibility and relax input controls, but this does not necessarily result in departments reducing controls over their agencies. In the Irish case, a more important issue is the lack of departmental capacity and insufficient or inappropriate governance mechanisms to control and manage agencies. There is little performance dialogue between departments and agencies. The dialogue that does exist is very input- and process-focused. The flexibility given to agencies in terms of how they achieve service delivery has not been matched by a corresponding structure that effectively measures and reports on performance gains (see case study on Managing Agencies).

In any system of controls, there are issues about balancing accountability and flexibility. The need for compliance with regulations should be balanced against the freedom managers require to do their jobs. There are obvious dangers in relaxing input controls without having adequate financial and managerial systems in place. However, there are also dangers in failing to relax these controls sufficiently. Too many restrictions create conditions under which managers do not have enough freedom to improve performance.[44]

Countries have a continuous struggle in achieving this balance. The approach taken can vary from sector to sector. In Ireland, the system has focused on control, but the balance needs to be shifted more towards performance. With the implementation of MIF, PMDS, and Output Statements, departments should now have the capacity to manage delegated financial and managerial control. Implementing these initiatives opens the door for greater delegation of centralised input controls. Although, it needs to be made clearer

how these systems will link up and support each other, for example, the relationships between the PMDS and departmental Output Statements.

Incentives, both formal and informal, are needed for departments to use new flexibilities to facilitate and improve performance. It is important that performance information is integrated into the decision-making processes both internally in departments, and overall by Cabinet. Greater attention should be given by the Public Service, particularly by the Department of Finance, departments and Cabinet, to performance results. This sends a message that performance is monitored and taken seriously.

Changing incentives to improve performance

There are many different incentives that governments can use to motivate organisations and individuals to improve performance. These incentives can be financial or non-financial, formal or informal. This section concentrates on incentives divided into three broad categories: 1) financial rewards or sanctions; and 2) increasing or decreasing financial and/or managerial flexibility. A third type of incentive, making the results public – that is, naming and shaming poor performers and recognising good performers – is addressed in the chapter on a Citizen-centred approach. Table 5.5 summarises these mechanisms, each of which will be examined in turn.

Table 5.5. **Potential mechanisms to motivate performance**

Mechanism	Rewards	Sanctions
Funding	Increase funding to the agency.	Reduce or restrict agency funding.
	Maintain status quo on agency funding.	Eliminate agency funding.
	Provide management and/or employee bonuses.	Cut the salary of management and/or employees.
	Increase the staff budget.	Cut the staff budget.
Flexibility	Allow the agency to retain and carry over efficiency gains.	Return all funding to the Centre.
	Allow flexibility to transfer funds between different programmes and/or operating expenditures.	Restrict the ability to transfer funds.
	Exempt the agency from certain reporting requirements.	Increase the reporting requirements.
		Order a management audit of the agency.
Transparency	Publicly recognise the agency's achievements.	Publicly criticise the agency's performance.

Source: OECD (2007).

Financial rewards or sanctions

In order to motivate agencies and individuals to improve performance, mechanisms can be put in place that link performance results to agencies' budget and/or staff pay.

For the reasons discussed earlier, automatically linking funding to performance results on a systematic government-wide scale is not recommended. Despite the fears of spending, Ministries of Finance do not tend to financially punish or reward agencies for their performance. Instead, information on poor performance serves as a trigger to more closely monitor or review agencies and programmes. Nonetheless, performance information should have a clearer role in budget decision-making.

Governments can use performance results to improve organisational performance by rewarding and punishing individuals who have overall responsibility for the performance of a government body. In 20% of OECD countries, failure to meet organisational performance targets has a negative consequence on the pay of the agency head. For

example, in Denmark, Korea and the United Kingdom, the chief executive of an agency's bonus is partially determined by the agency's success in achieving its performance targets. Ireland does have a system of performance-related pay for senior managers in the Public Service. Chief executives of agencies may receive an annual bonus to a limit of 25% of their annual basic salary. Ministers must be consulted regarding the performance criteria against which such decisions will be made. However, there is little public transparency with regards to the criteria used or the actual performance achieved. Careful consideration needs to be given on how to introduce greater transparency to such processes. Would help to make targets output- as opposed to process-based, and they should be balanced to ensure they do not lead to goal distortion.

The issue of performance impacts on staff pay is multifaceted. In the Irish case, the collective pay negotiations and agreements make the introduction of an individual performance pay element more complex. The current system does emphasise improving performance with sanctions for underperformance, as opposed to rewards or incentives for exceptional performance, but concentrates on meeting process goals as opposed to outputs or outcomes.

While organisational performance may not be directly linked to staff pay, it can form a part of the appraisal system which influences the performance and future career prospects of individual or groups of employees. Linking individual objectives to the organisational mission and objectives can help reinforce a performance culture and creates incentives for high performance. In OECD countries, there are increased efforts to link organisational performance goals with individual performance objectives, through the use of individual performance agreements and appraisal systems. Possible linkages between performance targets and the performance of organisations and individuals include having performance targets cascade down from the Ministry of Finance and/or Parliament to the line Ministry and programme, and from there to individual or team performance-based arrangements.

In Ireland, the Performance Management Development System (PMDS) is used on an annual basis to review the performance of individual staff concerning salary increments and promotion. Challenges exist, however, in ensuring at the Public Service level, particularly within agencies, that annual objectives, outputs and targets continue to relate to the overarching vision and strategic programmes of their parent department.

The PMDS uses a cascade design to drill down inputs, outputs, objectives, and outcomes from the overarching strategic business plan of a department, to the divisions, team and individual level. Ensuring that it is a meaningful process rather than a rubber-stamp for salary increases and promotions will depend on how well the individual performance objectives identified actually do tie-back into and cascade down from overall organisational objectives in the strategy documents. It will also depend on whether objectives are measurable and backed up by operational data. Finally, it needs to be used as a basis for a performance dialogue that includes discussion about outcomes – even if they are not yet measurable – and links them back into processes and outputs. If these preconditions are met, confidence in the system will, in turn, develop over time. Each time personnel decisions are made that are consistent with, rather than going around, the criteria laid out in PMDS, it becomes further embedded in the organisational culture of a public body.

It is important to note that motivating individuals is not just about pay. Informal internalised incentives such as professional standards or vocation are also important. While wages are significant for staff, non-monetary incentives such as employee satisfaction and morale are the most important drivers of performance.[45] OECD research indicates that having a good work environment, a challenging job, and recognition for achievements, is more likely than money to motivate good performance.[46] Wages are, however, important for attracting and retaining qualified staff, especially in the case of skill-shortages. If an organisation can reorganise processes and match individuals to the right position within a mission-based organisation, the chances of high performance are increased.[47]

Increasing and/or decreasing managerial flexibility

Increasing flexibility can act as a direct incentive to improve performance. For example, achieving a certain percentage of performance targets could be rewarded with greater spending flexibility during the year and the ability to carry over a higher percentage of unspent funds, or it could be linked to exemptions from regulations or reporting requirements. Failure to achieve results or poor evaluations could be linked to an increase in reporting requirements and less flexibility. However, it is unusual that the reforms are designed with the idea of using flexibility as an incentive. The exception is the pilot phase of the *Government Performance and Results Act* (GPRA) in the United States, which did link increased managerial flexibility and a reduction in reporting requirements to improved performance. However, this was not included in the full implementation of the Act, in part because the United States Office of Management and Budget did not have the capacity to free agencies from reporting requirements and rules set by other parts of government or by the legislature.[48] In addition, many regulations were actually internal departmental rules.

In practice, decisions to grant increased flexibilities will also depend on the relationship between the agency and department and central Ministers. This relationship is at least partially based on the history of performance within the agency or programme, and on compliance with regulations, and avoidance of corruption, waste and mismanagement.

While flexibility may not be given as a reward, taking it away is a common response to poor performance. Increased control and reporting requirements are often imposed on underperforming agencies. If programmes have received critical evaluations and failed to follow up on recommendations, one of the most common courses of action is that more control is imposed on the programme and the failure is made public.[49]

Whatever the mechanism or combination of mechanisms adopted, it is important to create incentives to motivate agencies and individuals to improve performance, and to ensure these mechanisms are compatible with the wider whole-of-governance structure and help to promote a performance culture.

Conclusion

Over the last decade, Ireland has been extremely successful in its fiscal performance. This places it in the unique position of having the financial resources and backing to improve public sector performance. To achieve this, coherent reform is needed to ensure that the current fiscal performance is maintained over the long term and that citizens' expectations for higher quality public services are met.

Both the Stability and Growth Pact and the Lisbon Strategy for growth and jobs highlight the need for public funds to be used to improve longer-term growth perspectives, while ensuring the sustainability of public finances. Although the Irish government adheres to the fiscal rules set out in the Stability and Growth Pact, this has not been difficult considering the economic growth of recent years. The Irish government does not have top-down budgeting within a medium-term expenditure framework. Such an approach would improve efficiency and manage spending. A medium-term fiscal anchor/target would clarify policy directions while taking into account the economic environment. Better communication of long-term fiscal and economic projections would assist with Ireland's ability to cope with demographic change and help avoid the pitfalls of short-term political decisions.

There is little evidence of detailed performance dialogue in Ireland. Performance measures are not linked up to the planning or budget preparation process: Value for Money and Policy reviews are not systematically taken into account when making decisions about additional spending, and it is not made clear in what sense public expenditures help to achieve departmental output targets, nor to what extent budget increments lead to additional outputs. The political process at cabinet level is not institutionalised on the basis of performance of the Public Service, for example, there are no inter-ministerial performance committees. Parliamentary debates are hardly ever focused on performance of the Public Service, despite the efforts of the Public Accounts Committee.

Performance management and budgeting require a fundamental transformation in organisational behaviour. It requires a shift in culture away from inputs towards results. Much of the Public Service in Ireland is, however, focused on inputs rather than outputs. Even the performance measures that have been introduced in many cases refer to inputs or intermediate outputs rather than outputs. This difficulty in moving to a performance culture is due to a number of factors including a history of overspending, no presence of fiscal targets, and relatively limited local government autonomy.

The Irish government has, however, made progress in the development of performance information, especially in evaluations. This is the first step in a shift towards a performance approach. The development of performance measures (outputs and outcomes) is still at an early stage. While there is considerable room for improvement, these reforms have the opportunity to benefit from the experience of other OECD countries in this area. For both evaluations and performance measures, it is important to improve the quality of the information produced. In developing and introducing performance information into decision-making, the Irish government has encountered challenges similar to those of many other OECD countries, although some of these challenges are particularly potent in the Irish situation.

In the Irish case, it is not an issue of introducing new performance initiatives but rather of improving the coherence between existing reforms and systems, and stating reform objectives clearly. While most of the building blocks are in place, such as an extensive planning system, there needs to be a clearer link between planning and performance information. To ensure this information is used in actual decision-making, a method to integrate it into performance, budget and management processes is needed so that this information forms part of the dialogue between the Department of Finance, line departments and their agencies. The system should build on what currently exists, but it needs to be more transparent and explicit, and incentives need to be developed to ensure this information is used in decision-making in order to clarify performance links between inputs and processes, on the one hand, and outputs and outcomes, on the other.

Box 5.1. **Key recommendations**

Reinforce a performance culture by linking performance information and decision-making processes

A performance culture is needed that is based on achieving outputs and outcomes rather than compliance with process. More linkages between performance initiatives and decision-making can be achieved, for example, by linking a medium-term expenditure framework and Output Statements (see below). Value for Money and Policy reviews should systematically be taken into account during the budget preparation process when deciding on additional spending and reallocation of budgets. In order to more closely tie Output Statements and Strategic Plans with performance levers, individual and divisional goals – as expressed, for example, in the PMDS – should link back into departmental objectives as mentioned in departmental Strategic Plans and Output Statements. This could strengthen the focus on policy results and help to develop a performance culture based on common language and expectations.

Establish a performance dialogue between departments and agencies

A performance dialogue is strongly needed between departments and agencies, such as those created after reforms aimed at more performance focus in the United Kingdom and the Netherlands. The traditional input-focused dialogue between agencies, departments and the Department of Finance should be replaced by a formal long-term performance dialogue, which entails a process of setting different types of targets and evaluation, and making links between inputs, processes, outputs and outcomes. Internally, this dialogue between departments and agencies should have linkages with individual staff performance management systems, and most importantly, with senior management. The criteria used for granting performance bonuses to heads of agencies could be more transparent. These criteria should be output focused. The government should also extend the departmental Output Statement framework to include agencies.

The potential value added by agencies is less a result of their policy autonomy and more a result of their performance focus. In order to fully achieve this performance focus, *they will need additional managerial flexibilities*, for example: flexible budgeting between years; the removal of more *ex ante* controls on spending; and flexibility in allocating funds between different types of spending and, most importantly, between personnel and other expenses (or at the very least, within personnel expenses, staff numbers, and pay levels). Good management in agencies should be rewarded with additional managerial flexibility.

Such increased managerial flexibility for Irish agencies should be provided only after agencies acquire confirmed capacity in strategic management, financial management, auditing, and accounting. The criteria such as those laid out by the Dutch government for the creation of new agencies in the Netherlands might be used as an example (see Box CS2.1 in the case study on Managing Agencies).

In many cases, departments and agencies will have to build up the expertise to develop performance measures and monitor performance as part of this dialogue process. Guidance should be provided on how departments can move away from input and process controls and towards better monitoring of performance. Parent departments should enhance their performance monitoring capacity by creating an internal department-wide agency performance review process. Departments also need to make a significant effort to better analyse the linkages between costs (including personnel) and the actual outputs and outcomes of agencies.

Create a more coherent performance approach

The whole-of-government-strategy on performance should be made explicit and clarified in order to communicate what is meant by improving performance, why information is requested, and how it will be used.

Increase coherence between departmental Strategic Plans and Output Statements. Links should also be created between performance initiatives at the departmental level and at the level of divisions and individuals. Individual and division goals, as expressed, for example, in the PMDS, should add up to departmental goals as mentioned in departmental Strategic Plans and Output Statements. The integrated performance strategy should also include a government-wide planning and reporting framework.

Box 5.1. **Key recommendations** *(cont.)*

Improve quality of performance indicators and information

Improve departmental Output Statements by creating 1) more relevant and measurable performance indicators; 2) real-time operational data; 3) baseline performance information; 4) clearly defined targets; and 5) more quantifiable targets which measures outputs and outcomes as opposed to processes.

The Public Service should pilot some projects which co-ordinate the development of data needs between the MIF, the expenditure control units within the Department of Finance and some select departments in the development of their Output Statements and strategic plans. Supporting databases may also be necessary on a sectoral basis.

Enhance capacity for performance measures. The capacity to develop performance measures in departments and agencies monitor performance, conduct policy evaluations and should be strengthened by investing more manpower, by using private sector consultancies, and by increasing public servants' awareness of performance issues through training, and a significant expansion of technical assistance role.

The quality of departmental Value for Money and Policy Reviews could be improved with a requirement for the Office of the Comptroller and Auditor General to review 10% of departmental VfM Reviews at random. Unless there are specific issues that need to be addressed, it is also important that the scope of evaluations is kept broad in order to cover significant expenditure areas. This can be achieved by attaching statutory monitoring requirements as part of the authorisation for new expenditure areas.

Improving performance through competition

Competition can be used as a tool to improve service delivery, but only when the Public Sector ensures that the right conditions are in place. It is crucial that the market actors can do so under the same conditions, that there are no barriers to market entry, that there is transparency over the results of the competition, and that there is a regulatory framework that ensures that these conditions are respected (see case study on Waste Management).

The government's guidelines on the use of PPPs recognises the potential benefits and risks associated with this type of financing mechanism. It is important to ensure that these guidelines are adhered to in practice.

Create/remandate a new unit to provide guidance on use of policy tools and contracting out: A unit similar to the PPP unit within the Department of Finance should be created in order to assist departments and agencies with contracting out and with the use of other market-type mechanisms. Such a unit could provide guidelines for the selection of contractors and drafting terms of reference, technical assistance, tools such as template contracts, and comparative information on good practices in other bodies. It is important that managers have a guide on how to engage in competitive tendering and how to compare the costs of delivering a specific service in-house.

Move from micro to macro spending controls and increase budget flexibility and transparency

Moving away from *ex ante* controls should be accompanied by overall budget limits under which additional flexibility is allowed. The government should consider a more top-down budgeting framework with aggregate expenditure totals driving the process instead of the current medium-term fiscal target within the existing three-year medium-term expenditure framework.

Budget transparency could be further improved if the Government's financial statements were to encompass all the entities over which the Government has control, and be prepared on an accrual basis of accounting in keeping with the generally accepted accounting principles (GAAP), endorsed by independent national or international accounting boards. The end of year final accounts could also be presented to the Dáil within six months of the end of the fiscal year. The Government could also further benefit from following the examples of the Netherlands, Austria, Germany and Chile by having economic assumptions produced by an independent body or panel, or undergo independent review.

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ISBN 978-92-64-04325-1
OECD Public Management Reviews : Ireland
Towards an Integrated Public Service
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Chapter 6

Moving Toward a Citizen-centred Approach

Introduction

The traditional point of direct contact for citizens with government occurs when they access public services. In this capacity, they judge governments' performance by the ease with which they can access services and by the quality, effectiveness and timeliness of the service provided. People in Ireland rightly believe that the Public Service should be able to translate increased wealth and prosperity into better services. Instead, many experience delays in response times or lack of response from the Public Service, and they regularly see anecdotal evidence – usually through media reports – of service breakdowns and failures. Delivery of health, education, transportation, and justice services make headlines daily.

OECD countries have used a variety of mechanisms to improve the quality of service delivery, to achieve better value for money, and to respond more effectively to the needs of citizens and businesses. These efforts have been shaped by three trends: 1) achieving a greater service focus by better understanding user needs, organising services around those needs, and clarifying what users can expect from the Public Service; 2) putting services online and making them more accessible and convenient; and 3) associating citizens and other stakeholders with government as partners to improve the quality of both public services and public policy.

This chapter focuses on the relationship between citizens and the government. It describes Irish Public Service efforts – consistent with the SMI vision – to create a more *customer-oriented* or *citizen-centric* government, one motivated to improve the standards and quality of services delivered to customers. To do this, it assesses Irish government attempts to present a more unified and coherent outward face for its citizens through various strategies and modernisation initiatives, and examines how information and communication technologies have been used to provide more integrated service delivery. Finally, it discusses Public Service initiatives to promote trust through policies of openness and Social Partnership, and explores how this can be used to further develop the citizen-focus of the Irish Public Service, including by considering citizens as partners in improving public services and public policy.

Mechanisms to improve public service delivery

Traditional Weberian bureaucratic models were mainly concerned with following the rules and demands of their own internal hierarchies. The needs and concerns of citizens were mere afterthoughts. The Irish Public Service has sought to change this traditional view. The vision and objective set out through SMI and DBG have been to improve the quality of service delivered to the public at all levels. For example, the life cycle approach, which is heavily referenced in the latest national Social Partnership agreement, aims at placing the individual at the centre of policy development and delivery.[1] Some agencies are using the life cycle approach to deliver services to citizens, but not all government bodies have as yet moved towards its adoption.

Through the framework of the reform and modernisation agenda, the government has also launched a number of initiatives with the objective of improving customer service. Key among these is the Quality Customer Service initiative (QCS) launched in 1997. This initiative set out nine principles of customer service (later expanded to 12) to which all public servants should adhere: such as publishing quality service standards; providing clear, timely, and accurate information; and developing structured approaches to consultation with customers[2] (Box 6.1). The QCS initiative requires each department and

Box 6.1. **The twelve principles of Quality Customer Service**

1. **Quality Service Standards:** Publish a statement that outlines the nature and quality of service which customers can expect, and display it prominently at the point of service delivery.
2. **Equality/Diversity:** Ensure the rights to equal treatment established by equality legislation, and accommodate diversity, so as to contribute to equality for the groups covered by the equality legislation (under the grounds of gender, marital status, family status, sexual orientation, religious belief, age, disability, race and membership of the Traveller Community). Identify and work to eliminate barriers to access to services for people experiencing poverty and social exclusion, and for those facing geographic barriers to services.
3. **Physical Access:** Provide clean, accessible public offices that ensure privacy, comply with occupational and safety standards and, as part of this, facilitate access for people with disabilities and others with specific needs.
4. **Information:** Take a proactive approach in providing information that is clear, timely and accurate, is available at all points of contact, and meets the requirements of people with specific needs. Ensure that the potential offered by Information Technology is fully availed of and that the information available on Public Service websites follows the guidelines on web publication. Continue the drive for simplification of rules, regulations, forms, information leaflets and procedures.
5. **Timeliness and Courtesy:** Deliver quality services with courtesy, sensitivity and the minimum delay, fostering a climate of mutual respect between provider and customer. Give contact names in all communications to ensure ease of ongoing transactions.
6. **Complaints:** Maintain a well-publicised, accessible, transparent and simple-to-use system of dealing with complaints about the quality of service provided.
7. **Appeals:** Similarly, maintain a formalised, well-publicised, accessible, transparent and simple-to-use system of appeal/review for customers who are dissatisfied with decisions in relation to services.
8. **Consultation and Evaluation:** Provide a structured approach to meaningful consultation with, and participation by, the customer in relation to the development, delivery and review of services. Ensure meaningful evaluation of service delivery.
9. **Choice:** Provide choice, where feasible, in service delivery including payment methods, location of contact points, opening hours and delivery times. Use available and emerging technologies to ensure maximum access and choice, and quality of delivery.
10. **Official Languages Equality:** Provide quality services through Irish and/or bilingually inform customers of their right to choose to be dealt with through one or other of the official languages.
11. **Better Co-ordination:** Foster a more co-ordinated and integrated approach to delivery of public services.
12. **Internal Customer:** Ensure staff are recognised as internal customers and that they are properly supported and consulted with regard to service delivery issues.

office to develop three-year Customer Service Action Plans based on these principles, with a clear focus on the external customer.

The implementation of the QCS initiative was supported by the establishment of a Working Group, whose membership was drawn from across the Public Service and from external stakeholders. Its main objective was to work with Public Service organisations to support implementation of the initiative by monitoring and evaluating progress, sharing experience and best practice, and by overseeing the development of mechanisms for benchmarking, and finally, for recognising improvements in customer service delivery. Sub-groups such as the QCS Research Group, were established as required to advance particular strands of the broader QCS initiative. A network of QCS officers from across the Civil Service also assists in advancing and supporting the principles of QCS within their respective organisations.

The initial phase of the QCS initiative had a number of serious shortcomings. Research conducted by the Institute of Public Administration (IPA) in 1998 found that the Customer Action Plans were extremely varied. Despite the national reforms, many departments lacked a genuine commitment to customer services. For the managers in departments, the needs of customers rarely took centre stage and ranked low in their list of priorities. Consultation with citizens was lacking, and there was little consistency in the development of quality standards.[3] Public Service staff did not recognise their role as service providers, or customers of services. The ability of some organisations to meet the demands of their customers was inherently reliant upon greater co-operation across the system, and greater recognition of a whole-of-government perspective. Ministers, Cabinet and the Oireachtas also needed to recognise their role in customer service.

Customer Action Plans that took account of these revised principles were developed for the period 2001-2004. Departments extended them to all Public Service organisations or bodies within their area of responsibility. QCS principles also had to be incorporated into Strategy Statements and Business Plans, and progress in meeting QCS targets was reported on in the annual reports (on implementing the Strategy Statements) that are sent to the Oireachtas.

However, the actual impact of these initiatives on improving the quality of customer service has been varied. In its evaluation of the Strategic Management Initiative in 2002, the *PA Consulting Report* found that there are clearly public sector organisations that are leaders and those that are laggards, and that in some areas, there is room for improvement.

In order to make these initiatives more meaningful to the average citizen and to increase transparency for customers, and on the basis of Dr. Patrick Butler's Report on Evaluation of Customer Service Action Plans 2002, the Customer Charter initiative was announced in 2002. The United Kingdom government had introduced a similar initiative in the 1990s. Essentially, a Charter is a short, easy to absorb synopsis of how customers will be treated, and informing them of complaint and redress mechanisms,[4] while the Customer Action Plan is more detailed, explaining how the commitments in the charter will be achieved and evaluated. Internationally, over 50% of OECD countries have introduced citizens' charters with the aim of providing high quality, accessible and customer-centred public services.[5]

To further encourage improvements, the Taoiseach established the Public Service Excellence Awards in 2004. These awards, held every two years, are designed to recognise and reward examples of innovation and excellence in the delivery of public services. The

National Partnership agreement also contains commitments to develop and implement initiatives to improve the level and quality of customer services.[6]

With clear national frameworks in place, most public sector organisations have met the requirements for developing plans and charters. In the ten years since the launch of the QCS initiative, there has been a significant improvement by the Irish Public Service in focusing service provision and delivery on the needs of the customer, although the level of engagement has not been uniform.[7] The second iteration of the Customer Action Plan marked an important improvement over the first, and all departments, offices and agencies now produce these plans and customer charters. The recent Irish Civil Service Customer Satisfaction Business Survey 2006 reported an increase in overall customer satisfaction from the previous survey in 2002.[8]

Some organisations have embraced these reforms and used the increased emphasis on customer focus as a key driver to transform the operation of their services. Good examples can be found at both the national and local levels, among which are the Department of Agriculture, Fisheries and Food, the Department of Foreign Affairs, the Department of Social and Family Affairs, the Property Registration Authority of Ireland, the Office of the Revenue Commissioners and the Primary Care Reimbursement Service (PCRS) of the Health Service Executive.[9] Those services that have been early adopters of quality customer initiatives, even pre-dating SMI, have tended to make good progress. Public sector organisations that have routinely direct transactional contact with customers have been more engaged in the QCS initiative than those with internal customers. Notably, less progress has been made with implementation of internal customer action plans.

Outside of those bodies with routine contact with customers, improving customer service has been treated superficially by other public sector organisations. Moreover, the fundamental changes and re-structuring processes and services needed to mainstream QCS values throughout the organisation have not taken place. In many cases the leadership from senior management has not been present – outside of the Centre, relatively few staff/resources are dedicated within individual departments or bodies to internally lead and support the reform and change agenda. International experiences indicate that senior management needs to be involved continuously at the political level so as to push forward the basic organisational changes required to ensure that customer needs are the central drivers of the organisational mission and vision. Senior management also needs to be involved in ensuring that the right resources with the right skill-set are available, or can be redeployed as required, to meet customer expectations.

There are a number of areas in which improvements can be made for all public sector organisations. While quality customer service standards have been developed, more robust measurement of the achievement of these standards is needed. Similar to the case of departmental Output Statements, currently there are few quantitative and limited qualitative performance indicators or targets to measure results. The 2002 evaluation of the SMI initiative in the Civil Service highlighted the need for the developed performance indicators to assess whether or not service standards have been achieved.[10] Five years later, the Comptroller and Auditor General stressed again the need to develop non-financial performance indicators, the importance of setting quality of service performance targets, and developing monitoring and evaluation systems to show the results.[11]

It is also possible to improve the transparency and publication of information. Currently the achievement of goals in Customer Action Plans and Customer Charters are

reported on as part of the annual reports sent to the Oireachtas. While this helps to give a complete picture of the activities of an individual department or agency, it does not make it easier for the average citizen to find and compare results. As an assistance to the wider Public Service, it would be helpful if the achievements of all government departments regarding customer service issues were published together annually in one document. Combined with greater use of more quantitative and qualitative performance targets, this would facilitate more comparisons and benchmarking. With time, the regular publication by all Public Service bodies of their performance would make it possible to benchmark them against their own historical record. This would also ensure that the goals are progressive and realistic (see section in this chapter on Accessibility).

While one size does not fit all and flexibility has been given to allow different elements of the Public Service to develop their own service standards, it is possible to compare the performance of certain basic activities across government, such as the length of time taken to respond to a letter or e-mail or to address a complaint. In addition, Irish public bodies could consider adopting and achieving international standards quality frameworks, such as the ISO 9000 series and/or the European Foundation for Quality Management and the Common Assessment Framework.

Canada, for example, has put in place a Common Measurements Framework which takes an approach to measuring and improving service quality that is citizen-centred, standardised and modular, thereby allowing benchmarking and exchange of good practice across the public sector. The Institute for Citizen-Centred Service,[12] a non-profit organisation, measures and monitors citizen satisfaction with public services through an electronic common measurements tool (CMT) that contains a bank of more than 150 standard service quality questions that can be adapted for administration in-person, over the telephone, or electronically. The Institute also serves as a data repository that allows organisations to anonymously compare results against peers. Organisations share their results, which allows the Institute to analyse service gaps, service standards, a satisfaction/importance matrix, and to identify drivers of satisfaction. In support of this work, it also develops publications, training modules and other management tools for the public sector.

In Ireland, the QCS initiative has clearly generated a much greater focus on quality customer service in the Irish Public Service. Thanks to this element of the modernisation agenda, good service delivery is now seen as important for all individuals within the Public Service. More, however, needs to be done to reinforce and embed a citizen-centred ethos across the Public Service, to motivate departments and agencies, to establish performance indicators, and to assess achievements of standards while improving transparency.

A further challenge is to broaden the picture of QCS within the Public Service. While QCS has been advanced through the broad framework of the modernisation and reform process, it is less clear whether QCS principles and a customer-focus have been embraced by Public Service staff beyond those with frontline service responsibilities. In July 2007, the government established the Task Force on Customer Service. Chaired by the Secretary-General of the Department of Justice, Equality and Law Reform, it oversees the implementation of those customer service commitments made in the Programme for Government 2007-2012. In addition, it has a particular role in establishing how the various elements of the QCS initiative are applied in the wider Public Service and to make recommendations on improving this process.

For example, a comprehensive independent survey of Health Service customers (Insight 07) was undertaken in 2007. While service users were generally satisfied with the interaction with health care professionals, there were mixed results with structures and processes, particularly around certain acute hospital services, such as "Accident and Emergency". The key point of such research, as acknowledged by the Health Service Executive, is that lessons are learned from the results and are fed back into service planning.

In the local government sector, Local Authorities service indicators were launched in 2004. They involve all local authorities reporting annually on performance results against 42 agreed service indicators (*e.g.* housing, water services, planning, fire services, environmental issues, etc.). While there are accepted limitations associated with this process, it does indicate a commitment to performance measurement and improvement in service provision.

QCS principles and lessons should be more broadly applied in order to improve customer-focus across the Public Service. The following sections will look at how e-government and the modernisation agenda could be better integrated to ensure that business line and service delivery perspectives are more closely aligned with technical perspectives. It will also look at how a QCS approach could be more generally involved in policy formulation and development in order to improve the user-focus of policy design and implementation.

Online services as a tool for improving service delivery

Successful services (both online and off-line) – and ultimately improved performance – are built on an understanding of user requirements. The deployment of new technologies can help to achieve a more customer-oriented approach to online services by facilitating improved and easier interaction of citizens and customers with the Public Service. They can also enable the Public Service to appear as a unified organisation, where essential information can be readily shared in a secure environment, thereby helping to provide a seamless service to the end customer.

It is insufficient to merely put services online. In 2005, the Information Society Commission in Ireland recognised that only services that were worth it should be put online. Online service delivery has to be part of an overall value proposition that involves evaluating the type of intervention needed, its desired impact, and joining up business needs with technical possibilities where they can positively impact on performance. It also involves re-evaluating risk models, legislation and regulations, and re-engineering business processes to eliminate unnecessary steps increase efficiency. For this reason, e-government has implications for all public service delivery. Increasingly, this is a vision in which online services are only one part of an overall multi-channel service management strategy to deliver services through the most convenient and appropriate channel, so that straight forward services can be delivered efficiently over the Internet, freeing resources for more complicated problem solving and for improving access over other channels where needed such as over the counter, over the telephone, the mobile phone, or through intermediaries.

Status of e-government in Ireland

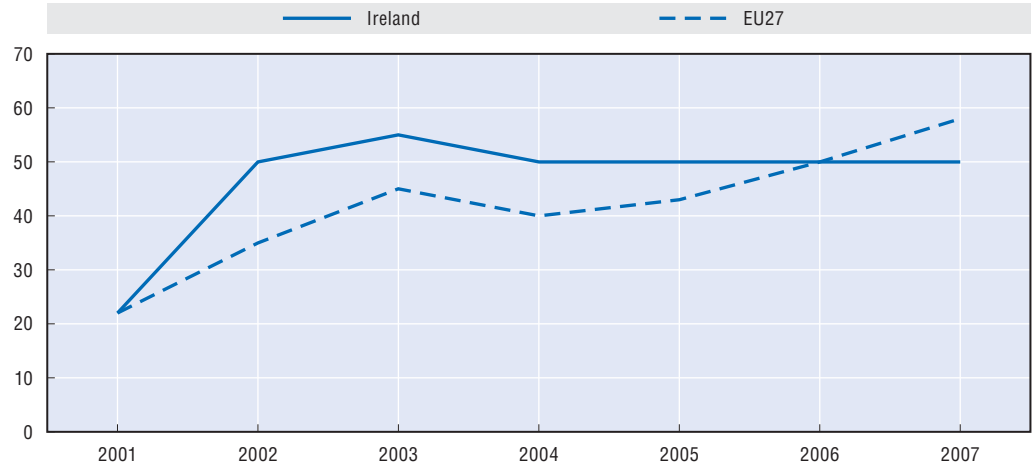
Ireland has been successful in promoting many of its e-government initiatives within the Public Service and can boast of several individual award-winning electronic services.

However, from an overall perspective, greater emphasis should be put on the implementation of the e-government vision, both in terms of individual services delivered, and in terms of joining-up those services from an integrated and high performing Public Service perspective. The 2002 New Connections strategy,[13] the Government's Action Plan on the Information Society, reflected the importance of e-government, and identified 70 flagship services for online delivery. Three years later, however, only 30 had been completed on time and as intended. Others have advanced, but have yet to be delivered. From a wider perspective, there is a concern that Ireland is falling behind in international benchmarks of online service provision.

In terms of online services, the United Nations ranks Ireland at 17th of 189 countries in their web measurement assessment, which "looks at how governments are providing e-government policies, applications, and tools to meet the growing needs of their citizens for more e-information, e-services, and e-tools".[14] The Economist Intelligence Unit places Ireland 21st of 69 in their e-readiness rankings of 2007. The definition is based on several categories with different weights: connectivity and technology infrastructure; business environment; social and cultural environment; legal environment; government policy and vision; and finally, consumer and business adoption. Ireland is doing better in business and legal environment, while connectivity and technology infrastructure is the weakest category.[15]

In the i2010 eGovernment Benchmark (2007), carried out annually by the European Commission, Ireland ranked 17th with regards to full availability online of 20 public services selected for benchmarking.[16] Figure 6.1 shows that Ireland, which once set the standard in online availability, appears to have reached a plateau and is now falling behind the European average, though Ireland's ranking also reflects, *inter alia*, the changing methodology used. Progress at national level on an e-identification system, data-sharing, data storage and data protection will be important if Ireland is to regain momentum in relation to this benchmarking process which is increasingly user-centred. In comparison, the UN report which focuses more on technical readiness, ranks Ireland 10th of the countries participating in the EU benchmarking process.

Figure 6.1. **E-services fully available online**



Source: The User Challenge – Benchmarking the Supply of Online Public Services, 2010, September 2007.

Lessons from good practice – examples of online service delivery

According to the i2010 eGovernment Benchmark Report, the deficiencies in Ireland are in the availability of online services. Strengths in the system, however, are notably the choice provided to citizens, since numerous public services can be accessed through a variety of channels, as well as the quality of the national information portals for citizens and business, Citizens Information[17] and BASIS (Business Access to State Information and Services), which are considered to be among the best within the EU. These portals provide integrated access to relevant Public Service information for citizens (*e.g.* on life cycle events such as having a child), or for businesses (*e.g.* such as starting up a new business, taxation or regulatory issues, etc.) under one domain. Citizens' Information (previously OASIS) is provided by the Citizens' Information Board, the national agency responsible for promoting the provision of information, advice and advocacy to the public on the broad range of social and civil services.[18] The Department of Enterprise, Trade and Employment is responsible for the development of the BASIS initiative.[19]

The Revenue Online Service (Box 6.2) is another good example of an Irish public sector ICT solution that has been well conceived, managed and implemented. The European Commission awarded it an e-Government "Good practice" label as one of the very best examples of e-government in Europe in 2001, 2003 and 2005.

Box 6.2. **Revenue Online Service**

The Revenue Online Service (ROS) in the Office of the Revenue Commissioners is an Internet-based system that enables Revenue customers and their agents to conduct their business electronically with Revenue.[1] It permits self-employed individuals, business and practitioners to view their own and/or their client's current status for various taxes, and allows users to file tax returns and forms and make payments online.

The ROS system is based on sharing information and changing business processes. It has led to significant gains in productivity. In 2005 alone, over 1.1 million tax returns were filed on ROS, accumulating a total of EUR 12.1 billion in payments. Overall, the total savings to the Revenue Commissioners as a result of ROS were estimated at EUR 10.6 million for 2005. In addition, over 150 000 income tax returns (53% of the total) and 79% of all new vehicle registrations were received through the Web site in 2004. In the same period, there were 2.1 million successfully processed enquiries to the ROS customer information service (CIS).[2] This service allows the customer to view details of their Revenue account online. Initially the service provided details for the previous two years only. As a result of customer requests, this service was extended to provide seven years' details. CIS delivers a service to the customer as well as substantial savings to Revenue from a marked reduction in phone calls and postal correspondence.[3]

1. *www.ros.ie* (accessed 3 August 2007).
2. European eGovernment Awards 2005, selected articles of 16 Finalists.
3. Montgomery Research, Whenlan, Margret (Revenue Commissioners Office) ROS – *An Irish Success Story*, *www.revenueproject.com/documents.asp?d_ID=3260#*.

In looking at the factors underlying the success of the Revenue Online Service (ROS), it is worth noting that, from an international perspective, tax authorities are generally well developed in term of deployment of technology since they are big organisations dealing with all citizens and enterprises. Moreover, some level of contact with tax authorities is

usually mandatory and takes place at regular intervals; hence the volumes of cases are considerable. In Sweden, in 2007, 3.1 million citizens, *i.e.* 45% of the citizens who had the opportunity, did their income tax declaration electronically (*e.g.* by Internet, telephone and SMS). In comparison, in 2006, 70% of Irish income tax users filed online through ROS. This volume allows tax authorities to mobilise the resources (*e.g.* technical staff, equipment, etc.) necessary to ensure technical excellence. In addition, as tax collection is a revenue generating activity, it is relatively easy to make the case for additional investments, including for skilled personnel.

The context in which ROS was developed was another important factor in its success. In the early 1990s, shortly after Revenue developed its strategy to integrate its taxation systems to provide a single view of the customer, political and public concerns about tax collection that arose at that time gave added business momentum to this integrated taxpayer strategy. Once the internal systems and processes were re-engineered and online services made available to staff, the next logical step was to provide that perspective to the customers themselves through online services. During the period 1998-2000, the Office of the Revenue Commissioners began developing online services with a common case focus, prioritising frequent, high-volume cases in order to release money to finance the development of additional online services. The focus on benefits and on business process re-engineering for the whole of the organisation ensured that ROS was an integrated part of Revenue and not an added layer of service.

Initially, the Office of the Revenue Commissioners focused primarily on developing services for its business customers who used the Internet most, and who therefore had the greatest potential for upfront benefits. Through close consultation with customer representative bodies and extensive reviews, the Office of the Revenue Commissioners obtained feedback on how ROS functioning could be enhanced. A modular approach has ensured that the service is continuously improved and further developed.[20] ROS offers simple and intuitive forms and helpful tools (*e.g.* online calculation facilities, automated payment systems), and access to up-to-date customer information that reduces the user's need to contact the Revenue Commissioners.

In addition, tax authorities tend to be sufficiently large organisations to allow room for internal reallocation of personnel released when data processing and collection is automated. For Revenue, benefits generated through ROS have been reinvested into the organisation in order to enable continuous improvement. Automating basic tasks has allowed a shift in employee tasks from basic customer service to more complex problem solving and compliance. Improvements in electronic data collection, processing and sharing, have allowed the Office of the Revenue Commissioners to develop an information system that facilitates systematic follow-up on targeted audits, and ensures appropriate interventions. The organisation's future aim is to get a clearer picture of its customer base, which will enable customer segmentation, improved risk management, and eventually better service.

The public response has been very positive. User take-up of ROS increased from 2% in 2000 to 70% in 2006. Because records are stored in the system for seven years, users today also use Revenue Online as a filing system and 50% paid online. Among customers using an agent, 83% filed online. Expansions and additions to the system also means that some 93% of vehicle registrations are submitted online. For self-service contracts, three out of four are made online, and the rest are handled by telephone.

Revenue has demonstrated to users that electronic service is a win-win situation. There is a heavy workload at the beginning of the year in terms of case processing, but the electronic filing has increased the responsiveness of the service (*e.g.* two to three days' waiting time instead of two months). Revenue Online also offers users extended filing dates as an incentive to use the online service and a help line via telephone in order to provide personalised assistance when necessary. Multiple channels (such as online, call-centres and traditional paper forms) for service delivery are kept open, but the Office of the Revenue Commissioners intends to make electronic tax filing mandatory for some businesses.

Ireland has many good examples of online services such as ROS, Motor Tax Online, publicjobs.ie, etc., but while innovators stride ahead, some organisations are moving at a slower pace. Government efforts to promote the development of online services, such as the Information Society Fund (1999-2005), by responding to requests initiated by individual departments, provided additional resources and flexibility to those organisations already taking an initiative, but were less successful in initiating new services in organisations that were performing less well in online service delivery. This may have served to reinforce the gap between well-performing organisations and weak-performing ones. The fiscal pressure to undertake transformative reform has not been present in most other Irish government bodies thanks to economic growth and growing budgets. The changing economic and fiscal environment that is now faced by the Irish Public Service should thus be seen as an opportunity for the development and greater use of ICT and e-government initiatives in support of modernisation objectives. The Public Service, however, needs to be prepared by understanding how e-government can support customer service, efficiency and transparency goals.

An important task for the future involves successfully identifying and dealing with the factors that led to poor performance, and identifying those factors that have helped good performers succeed. How can good practices be replicated? What have been the conditions for success? And how these can be broadened across the Public Service? The factors that have led to good performance include:

- To conduct effective Business Process Reviews that take account of user requirements (both the administrator and the end-consumer), so as to better re-engineer services rather than simply putting existing services – in all their complexity – online.
- To start with the "low hanging fruit" in order to achieve savings for reinvestment and to build support and trust for continued reform, and then to keep the pace.
- To conduct the development of electronic services in a modular way that permits scaling up and adding features along the way.
- To fully automate relevant services in order to reduce manual processing, and to reallocate staff to other business activities (*e.g.* risk management, enforcement) in order to achieve additional benefits.
- To act with sufficient organisational scale so as to allow a concentration of expertise and resources.
- To ensure customer feedback informs the restructuring and improvement of services.
- To be supported by top management and to have a clear strategic leadership.[21]
- To learn from other countries, such as New Zealand in the ROS case.[22]

The focus and structure of e-government in Ireland

The above lessons demonstrate how the modernisation programme, with its focus on citizen-centric services and value for money, could provide a guiding force for e-government in Ireland. SMI, DBG and *New Connections* all share a vision of using ICT at the heart of the modernisation and reform agenda to improve service delivery and government performance. They each recognise the double challenge of improving performance and building demand for people to use ICT.

ICT and e-government initiatives, however, have tended to focus on the role of e-government to advance an Information Society agenda. *New Connections* identified the deployment of technology in government as one of the key infrastructures necessary to progress an Information Society. This is understandable given historically low Internet penetration rates. In 2006, Ireland ranked 19th out of 30 OECD countries in household Internet access, 25th out of 27 OECD countries in terms of broadband penetration for businesses with 10 or more employees. It is not surprising, therefore, for Ireland to choose to advance e-government as a way to build up demand for people to use the Internet as much as to enhance delivery of public services. Yet, the following section will show how the separation of the e-government and modernisation initiatives has had implications for the structure and leadership for e-government and its ability to propose citizen-centric services and to improve public sector performance.

E-Government leadership and co-ordination

The formal structure of e-government leadership and co-ordination in Ireland is very much shaped by, on the one hand, the division of the Information Society and modernisation agendas, and, on the other hand, the principle of separating policy and implementation responsibilities. The Department of the Taoiseach and Department of Finance are supported by various governance structures, co-ordinating committees and bodies involved in advancing and promoting e-government in Ireland (Box 6.3). It is worth noting that the advisory bodies and structures for e-government in Ireland are multi-sectoral which reflects the Department of the Taoiseach's role in Social Partnership and in policy co-ordination in relation to cross-cutting issues.

In terms of policy development, the Information Society Policy Unit (ISPU) in the Department of Taoiseach has overall responsibility for developing, co-ordinating and driving implementation of the Information Society agenda, with a targeted aim of ensuring that Ireland develops as a fully participative, competitive, knowledge-based Information Society. It has responsibility for co-ordinating action across Departments to further developing the potential for the use of technology in government and for advancing the Government Action Plan as set out in the 2002 publication, *New Connections*.[23] A new strategy is expected by the end of 2008.

While large public sector bodies are responsible for delivering their own customer-facing systems, the Centre for Management and Organisation Development (CMOD) within the Department of Finance plays a lead role in providing a range of common infrastructures and services in setting technical standards (such as those for cross-government collaboration), and in sanctioning ICT expenditures from designated funds (*e.g.* for central government, the Health Service Executive and the justice sector) in order to promote ICT project success. This involves checking whether projects are in line with the overall strategy and that the outlines are sensible and the costs reasonable. The IT Control

Box 6.3. **Governing e-government in Ireland**

In Ireland e-government strategy, and the related implementation, involve a number of structures and bodies acting at different levels.

Policy making individuals, bodies, and structures

The **Minister of State for the Information Society** co-ordinates policy to encourage information society development, promotes and monitors the implementation of national policies in this area, and ensures that Ireland is represented at the European level and in other international fora on related issues. He convened a **Cabinet Committee on Information Society**, chaired by the Taoiseach that was not reconstituted after the 2007 election.

The **Information Society Policy Unit (ISPU),**[1] in the Department of the Taoiseach, is responsible for developing, co-ordinating and articulating general e-government policy, for aggregating intentions submitted by Public Service bodies into overall Action Plans, and for getting formal government agreement to plans. It sets up and runs a number of cross-public sector body management committees and was a joint member of the Committee evaluating Information Society funding requests from public sector bodies. Finally, it is the Irish liaison for the EU Benchmarking process.

The **eStrategy Group of Secretaries-General** addresses national e-strategy issues and generally holds meetings on a quarterly basis. It is a subset of the Implementation Group of Secretaries-General.

The **Assistant Secretaries' Implementation Group on the Information Society** is the operative body ensuring co-ordination among government departments and their policies (including local government representatives). It generally meets on a quarterly basis.

Implementation bodies

The **Centre for Management and Organisation Development (CMOD),** in the Department of Finance, is responsible for overall technical policy and for the provision of central telecommunications infrastructures. It helps to develop central initiatives (*e.g.* eCabinet, eLegislation, Oasis, Parliamentary Publishing, shared ICT services) and, in addition, managed the Information Society Fund and was a joint member of the Committee evaluating funding requests (along with the ISPU). It evaluates ICT project proposals from an overall value for money perspective and manages a peer review system for large, complex, and cross-cutting ICT projects in the Civil Service, Defence Forces, Garda, and since 2006, for the Health Service Executive. CMOD has both a policy-making role and an implementation role.

The **Reach agency** under the Department of Social and Family Affairs is responsible for developing front-end identity and fulfillment services for small and medium-sized public sector bodies and for integrated services that require the participation of multiple public sector bodies. Established in 2000, it has largely focused to date on the development of the Public Services Broker.

The **Citizens' Information Board,** under the Department of Social and Family Affairs, provides standardized information on services directed at citizens through the Citizen's Information portal (previously OASIS).

The **Department of Enterprise, Trade and Employment** provides standardized information on services directed at businesses through the BASIS portal.

The **Local Government Computer Services Board (LGCSB)** is a public sector organisation closely aligned with local governments in Ireland. It provides Ireland's 26 counties and many cities with a wide range of services, including hosting a wide area network, providing web farms for smaller public sector bodies, software platforms, research and development, business systems, and customer service (see Box 6.6).

Advisory, research and statistics bodies and structures

The **Information Society Commission (ISC)**[2] was an independent advisory body that concluded its work in December 2004.

Box 6.3. **Governing e-government in Ireland** *(cont.)*

The **Knowledge Society Stakeholders' Group** (previously the eInclusion Stakeholders Group) was established in 2006 and its membership includes representatives of government Departments, Social Partners, academics as well as representatives of the health sector, and the local government sector. It advises on and monitors progress on national knowledge society policy.

The multi-sectoral **eInclusion Stakeholders' Group** advises and monitors progress on national eInclusion policy, which addresses those in each lifecycle stage that are digitally excluded. Its membership includes Social Partners, representatives from government Departments and Agencies, academics, and those engaged in the delivery of eInclusion projects and programmes at local and EU level.

The **eInclusion Research Group**, established in 2006, carries out research on the challenges around e-inclusion and bridging the digital divide. It comprises academics who are active in the social inclusion/e-inclusion areas, and its work informs the deliberations of the ISPU and the Stakeholders Group.

The **ICT Statistics Group** is chaired by the Central Statistics Office (CSO), with representatives from all key departments and the Commission for Communications Regulation (COMREG). This Group meets bi-annually to review the relevance of existing indicators and to agree on new indicators. CSO also use this Group to give comprehensive presentations of soon to be released ICT statistics.

The **Inter-Departmental eAccessibility Group,** jointly chaired by the Department of the Taoiseach and by the National Disability Authority (NDA), promotes ICT accessibility for people with disabilities in Ireland.

1. Information Society Policy Unit: *www.taoiseach.gov.ie/index.asp?locID=175*.
2. Information Society Commission: *www.isc.ie/*.

Section within CMOD is responsible for the implementation of a streamlined delegation regime that devolves the responsibility and accountability for ICT-related expenses to departments and offices.[24]

In 2000, departments were mandated to prepare eStrategy Statements detailing their plans for electronic delivery of services to the public. These statements were subsequently used in the development of the *New Connections* strategy which covered the next three years. Since September 2002, and post-*New Connections*, Information Society and e-government initiatives are now mainstreamed in Department's Statements of Strategy which reflect the new impetus for the deployment of ICT in government in support of integrated, cross-agency service delivery, policy making and administrative processes.

These arrangements are designed to deliver a more coherent overall approach at the highest level of government, to facilitate the formulation and implementation of policy on a wide range of issues that increasingly cut across traditional departmental boundaries – between departments and agencies, and between central and local government. Furthermore, it supports an integrated approach to e-government that is informed not only by public service reform, but also by the broader economic and social priorities. It is worth noting that a special initiative on *Including Everybody in the Information Society* was included in *Sustaining Progress* – the Social Partnership Agreement 2003-05. Individual bodies, however, remain responsible for the implementation of the e-government initiatives in their Statements of Strategy. As set out in the following section, there are some clear deficits in the existing structure and ways of working.

Linking the e-government and modernisation agendas

To the external, *i.e.* OECD observer, the most striking aspect of the e-government leadership arrangements in Ireland is that, despite frequent mentions of linkages in Strategy Statements, there seem to be weak operational linkages between e-government and Public Service modernisation. Although e-government initiatives are monitored through the eStrategy Group of Secretaries-General and are reported on in departmental Annual Reports and Performance Verification Group reporting, operational linkages have not been more generally made on how e-government can help to advance and progress modernisation initiatives, to improve performance effectiveness and streamline service delivery from the customer's viewpoint.

The New Connections strategy recognises the importance of linking up e-government and modernisation. The 2002 strategy states: "E-government is central to delivering many aspects of the *Strategic Management Initiative (SMI*), such as: deepening the Quality Customer Service initiative; devolving more decision-making closer to customers; improving financial information systems; and creating effective mechanisms to address cross-cutting policy issues. A key challenge will be to ensure that the full synergies between e-government and the wider modernisation process are realised through the SMI (Strategic Management Initiative) Implementation Group of Secretaries-General."[25] *New Connections* also recognised e-government as an indicator of wider Information Society development and a determinant of national competitiveness, and the potential of ICT to address issues of disadvantage and inclusion.

An evaluation report of the SMI from PA Consulting Group (March 2002), which considered the first Government Action Plan on the Information Society published in 1999, stated that progress on e-government and the implementation of the Information Society action plan had been uneven.[26] The recommendation was to review institutional arrangements in order to secure progress on cross-cutting agency implementation. The conclusion that there is a need of better integrating different strands of modernisation, such as Quality Customer Service (QCS) and e-government is supported in the report *Modernising Service Delivery*.[27]

The lack of inter-linkages between Information Society/e-government policy, on the one hand, and the modernisation programme on the other, has weakened the government-wide focus on modernising public services. To date, the ISPU appears to have adopted an advocacy role in terms of raising the profile of e-government, but does not have any responsibility in service delivery and has few connections with service providers in the area.

There is a clear need for a continued Information Society policy, even as Ireland has shown marked improvement in this area. From 2003 to 2006, it experienced the third strongest increase in broadband penetration among OECD countries: from 1% penetration to 12.5%. In 2007, 65.4% of households had a PC in the home (up from 18.6% in 1998) and 57% had Internet access (up from 5% in 1998). The e-government policy trend in OECD countries, however, is to move away from ICT and Information Society linkages with e-government policy and towards more explicit linkages with modernisation and service delivery initiatives. The common trend is for the focus to be on – at the agency level – achieving business process improvements and increasing take-up of online services and – at the whole-of-government level – leveraging cross-government efficiencies and integrated service delivery (see below for a discussion on OECD trends).

In comparison, Canada, since the late 1990s, has worked on developing seamless services through initiatives like Government On-Line (GOL) and Service Improvement Initiatives (SII). The main goal of this approach has been to promote collaboration among departments that share common clients, reduce wait times, increase interoperability, and make programs and services easier to find and access, particularly online. For example, the Service Canada initiative, launched in 2005, provides an integrated service delivery network for one-stop, multi-channel access to government services. Currently, it is focusing on linking most federal government services, but aims to eventually include relevant provincial and territorial government services as well. Today, Service Canada is collaborating with 14 federal departments and agencies and other levels of government to provide integrated, citizen-centred service.

The main approach is to develop and implement integrated services without regard to formal jurisdiction and through a focused collaboration and co-operation across the four different levels of government (one federal, ten provincial, three territorial and more than 5 000 municipal levels). In order to do so, it has developed a set of inter-jurisdictional institutions over the past ten years. These institutions include: the Public Sector Chief Information Officer Council; the Public Sector Service Delivery Council; the Municipal Information Systems Association of Canada (MISA); the Institute for Citizen Centred Service; the Deputy Ministers' Inter-jurisdictional Meeting on Service Delivery Collaboration; the annual Lac Carling Conference; and the Crossing Boundaries National Council.[28]

GOL and SII have embedded a user-focused approach to service within departments in Canada and changed how the public interacts with the federal government. The Canadian approach is based on a public sector transformation concept known as the *Public Sector Service Value Chain* which focuses on getting the right programmes, services, knowledge and information to the right people and organisations at the right time. The model focuses on establishing a mutually reinforcing relationship between three main variables: 1) employee engagement (*i.e.* satisfaction and commitment), 2) citizen/client satisfaction with public services, and 3) citizens' overall trust and confidence in public institutions. As the model mainly focuses on the customer interface, back office processes and structures remain largely untouched. By articulating the relationship of the core public sector interactions, however, and identifying the elements which contribute to their success, it provides a framework for transforming government service delivery. The *Public Sector Service Value Chain* helps to underlie, among others, the Canada Business Gateway; BizPaL, a one-stop access to personalised permit and licence information for all levels of government; the Virtual Trade Commissioner; and Service Canada.

Portugal has also tightly linked e-government with its government transformation programme: since 2005, it has had public sector transformation on top of the political agenda in order to improve the efficiency and effectiveness of the public sector, which enables it to become more user-focused in the delivery of high-quality services. Institutional changes have been carried through to ensure focus on administrative simplification, and to ensure that e-government is the main tool to transform the public sector and meet the political goals of the government. Since 2006, the yearly SIMPLEX programme has set up a number of concrete measures and well as a monitoring and evaluation framework to as to ensure that these measures are successful.

Simplifying contact with citizens: Integrated online services

Internationally, demand from civil society for simple access to public sector services through electronic channels such as the Internet, and internal budgetary pressures within the public sector itself, has pushed governments to consider how common resources like information and data can be used most effectively. These pressures have led a number of OECD countries to develop the concept of "seamless government", also known as "networked government" or "joined-up government".[29] Increased use of information and communication technologies, for example through e-government initiatives, can play a significant role in improving Public Service performance in two key areas: firstly, it can improve access to and quality of services for users, and secondly, it can increase efficiency and effectiveness of government. These two objectives are mutually dependent.

In the Irish Public Service, the role that e-government and ICT can play in facilitating improved performance through improved service delivery has not been fully capitalised upon in all public bodies. Information sharing in the health sector, for example, can improve resource use and patient care, and information sharing between central and sub-national governments can facilitate the development and implementation of better environmental policies. Towards this end, e-government has the potential to be a major enabler for greater policy coherence – both horizontally and vertically – as well as by promoting innovative ways of working.

As noted earlier, simply putting existing or future services online is insufficient to improve service quality or performance. Organisations must also examine the systems and structures that currently exist, rationalise them to remove unnecessary bureaucratic steps, and join-up internal processes in order to simplify them and organise them around the needs of the citizen, business or end-consumer, rather than around government preoccupations or traditional ways of working. As has been shown in instances such as ROS, etc., when ICT and e-government systems are appropriately developed and deployed, the end-user benefits from improved internal efficiencies, more cost-efficient service delivery – which means reduced costs – and easy access to information. In the DBG initiative, and in the Information Society Commission's Report on eGovernment of 2003, Ireland has acknowledged the importance of integrated, holistic online services, stating that, "In addition to providing services directly online, e-government has the potential to improve the quality of existing services, *e.g.* to support a public servant in a one-stop shop dealing with a person's query".[30]

Finally, e-government helps to improve efficiency of mass processing tasks and public administration operations. Internet-based applications can generate savings on data collection and transmission, provision and processing of information and communication with customers. Shared back office services can help the public administration achieve economies of scale and focus expertise in areas such as state agencies, where there is a risk of administrative fragmentation. Significant future efficiencies are likely through greater sharing of data within and between governments. The sharing of individuals' personal information, however, does raise privacy protection issues, and the potential trade-offs between increased efficiency and privacy protection, need to be carefully assessed. The cultural resistance in Ireland to population identity cards and concerns regarding the security of information that would be held to facilitate the development of such shared services must be taken into account in both formulating future initiatives in the e-government arena, and in communicating the benefits to the public.

Reach and the Public Services Broker

As with many countries, the Irish Public Service is made up of a few large organisations with significant internal ICT capacity and a larger number of smaller organisations with significantly less capacity in ICT. This presents a challenge of building capacity across a fragmented Public Service. When e-government first came onto the public administration agenda of many OECD countries, the emphasis was on putting services online. Ireland, on the other hand, sought to ease the front-end service delivery burden for smaller organisations through the development of an integrated Public Services Broker (PSB)[31] that could serve as a single-entry point for access to public services, no matter which government body provided them (Box 6.4). When planning for the PSB began in 1999, this was a visionary approach.

The original intention was that the PSB would provide a facility that commenced a cycle of sharing relevant information with other Public Service bodies automatically. For

Box 6.4. **Reach and the Public Services Broker**

The initial vision in Ireland for a Public Services Broker (PSB), developed in the 1990s, was for an Amazon-like service that would allow users to access a range of public services, either provided by the PSB itself or through other government bodies. This one-stop shop, however, depended on the availability of the following:

1. Provision of information sources (OASIS, Basis).
2. Networking infrastructures to allow interconnection between public bodies and access to the Internet (Government Networks).
3. Identity and authentication services.
4. Service request facilities (auto filling form completion).
5. Interoperability arrangements to pass service requests to public bodies .
6. Fulfillment service ("where's my stuff").
7. ePayment facilities.

The first two elements were quickly established, while responsibility for the rest was given to Reach, an agency established to improve the quality and efficiency of e-services offered by Public Service agencies to one another and to the general public. It was envisaged that the PSB would provide a technical framework in which government departments and agencies could deliver services in a more integrated way, and to ease the burden on small bodies and achieve benefits of scale. Instead of mandating technology, the PSB aimed to provide a government-wide hub of common services, interoperation of information systems, and delivery of electronic services.

Reach has delivered on several of these prerequisite components, including high quality security services to protect transactions on public networks and access to identity checking and authentication services based on the personal Public Service Number. These services are interoperable across public bodies and are complemented by service request tracking facilities and ePayment. Crucially, however, Reach has yet to deliver on a service request facility that would fulfill services that either require multiple agencies' input or the automatic filling of forms from existing databases. These components are crucial for providing integrated services. As a result, the PSB is primarily being used for information transfers within the Public Service and to confirm identity and provide PINs for the ROS service.

example, upon the registration of the birth of a child, a personal public services number (PPSN) would be issued, a Child Benefit payment would automatically be triggered, as would any other additional payments that might be warranted.

The PSB was delivered four years late and severely scaled-back. While much of the architecture that was envisaged has been put in place, crucially, the pre-populated form filling service has not been delivered. As such, it has not to date been possible for most public bodies to provide customer facing services through the PSB. Its main component, the Reach shared authentication service, provides only one major service – customer authentication for the ROS online tax filing and payment system – and two to three minor ones.

The reasons for this lack of progress with developing and utilising the PSB are complex. To some extent, the delays and lack of progress in advancing the PSB relates to the governance arrangements and capacity to get other Public Service bodies to provide information. The primary justification for placing responsibility for the PSB under the Department of Social and Family Affairs was that it had already begun a project known as Reach to integrate the provision of social services to customers and the PSB concept was seen as a natural extension to that. In addition, the fact that the Department has responsibility for the PPSN, which serves as a *de facto* identification for public services, was seen as an additional justification for giving it this role. What it has lacked, however, is a clear mandate to impose the use of the PSB and the ability to influence other departments within their own realms of service delivery. The organisational status of Reach seems to have been too far from the Centre, where visions and guidelines are decided and financial preconditions created. This has diminished Reach's credibility and encouraged agencies to develop parallel identification systems and portals.

The Reach programme has also been beset by management difficulties, in particular, the management and performance of contractors. Development has been slow, it is expensive for other agencies to participate, and its services are not considered user-friendly. The organisation remains small (it currently has a staff of ten civil servants), and its operation is fully outsourced to 28 contractors. Much of the development work was also done externally by outside consultants. The high number of outsourced activities gives flexibility but also creates vulnerability. This raises issues about the capacity of the Reach agency – and the Public Service more generally – to formulate and communicate the functionality of a system in an environment characterised by fast-paced technological change, uncertainty about the level of buy-in from other departments and agencies (and therefore the scale and benefits of the final system), and an information and capacity imbalance in relation to contractors.

Finally, Reach's identity services have been criticised both in the media and in customer forums as being unwieldy. Consequently, the use of third-party authentication facilities that might be more useful are being examined, particularly for customers who make irregular use of government-provided services.

Following a recent review of Reach and the PSB programme, the government has decided that the functions in relation to the operation of the PSB should be transferred to the Department of Finance following a period of assessment. Revisiting the ownership structure for PSB and Reach will require not only structural changes, but also a look at the incentives that underlie Reach's offerings. Reach requires significant resources, yet benefits have not been quantified as far as possible. In addition to reviewing performance

and cost and benefit analysis, it would be critical to map processes, especially concerning cases that are cross-cutting, over departments or agencies, in order to clarify the lie of the land, provide guidance and help departments and agencies begin to realise the potential that is inherent in PSB.

Shared back office services

While the PSB is primarily focused on the provision of *integrated, front-office services* to customers and users, a second component of an integrated Public Service is for the *sharing of back office services*. The Public Service recognises the need to increase the level of efficiency for the whole-of-government by developing shared services. While mostly invisible to citizens, shared services are an important component to improving the efficiency of the Public Service and for enabling an integrated Public Service that can benefit users through the simplification and even elimination of some services.

The difficulties that Ireland has faced in developing shared services also points to some of the broader challenges for integrating the Public Service. Challenges to delivering shared services include the lack of a strong unifying push, unclear or diffuse benefits for those bodies involved, and a risk-adverse and control-oriented Public Service culture that leads public bodies to want to act independently, even if they do not have the resources and expertise to do so properly. This situation is exacerbated by a lack of direction and responsibility for achieving cross-cutting benefits, and a lack of vision regarding the connection between shared services on the one hand, and a more responsive integrated Public Service on the other.

Shared services are currently seen almost exclusively as a technical issue, rather than one that touches on the autonomy and collaboration of government bodies. This reflects their knowledge (or lack of knowledge) about how much it currently costs to provide certain functions, and their responsibility for achieving efficiency benefits for themselves and for the whole-of-government (see chapter on Governance). As in the case for e-government in general, benefits from shared services will also depend on the ability to reallocate resources either internally within government bodies for improved service delivery and innovation, or within the broader Public Service in order to support priority activities. It will be worthwhile to see what the results of the "efficiency review" initiative currently underway will have on back office functions. This initiative presents an opportunity to review this area of spending, and to implement significant structural changes.

In addition to the improvements in front office service delivery, the ROS experience also demonstrates the benefits of scale. The Irish Civil Service is relatively small, and as shown in the case study on Management Agencies, many Public Service responsibilities have been either hived off from the core Civil Service and/or created within new State agencies, each of which needs its own human resource and financial support structures and services. One of the possible consequences is fragmentation of the Public Service, not only in terms of mandates and services, but also in the underlying back office service that can become a major source of inefficiency.

Of the five types of shared services identified by the OECD (Box 6.5), Ireland has already achieved the "referential model" for back office processes. Additionally, the Civil Service has achieved the "shared information technology systems model" for human resources management (HRM) and payroll and, for the justice sector, has achieved the

"shared service centre model" for financial management. Consequently, it may be possible to find additional opportunities for advancing these models (types 3-5 in Box 6.5).

This level of compatibility represents a major opportunity for Ireland to capitalise on shared services, as many other countries have devolved back office systems to such a point that they are no longer compatible and thus require major investments before common solutions can be developed and implemented, *i.e.* the problem of legacy systems. There is particular potential for shared HRM systems, since the ratios of HRM staff are lower in Ireland than the OECD average, and given the central nature of HRM policy formulation in the Public Service. Shared systems would allow HRM personnel within individual departments, agencies and offices, to focus on more value-added capacity activities such as workforce management, training and development.

Box 6.5. **Shared services: Levels of inter-agency co-operation**

There is no one right solution for shared services. Each country needs to develop its own combination of solutions. The OECD has identified five basic types of shared services for common business processes (CBPs):

1. **Knowledge centre.** Organisations agree to set up a knowledge centre that supports and facilitates knowledge exchange via the CBP. The focus is on information sharing. The organisations still execute the process themselves.
2. **Referential model.** Organisations agree on a "referential model" (a commonly agreed standardised process which provides guidelines, standards, etc.) for the CBP for their own use. The organisations still execute the process themselves.
3. **Shared information technology systems.** Organisations share common databases and/or IT systems in support of their own processes. The degree of shared systems can be decided among participating organisations.
4. **Shared service centre.** Organisations agree on a shared service centre, which executes the process or a part of the process. A new organisation is set up in which all participating organisations have some influence (for example, by participating in its governance), or the process is assigned to an existing organisation. The organisations are still legally responsible for the results of the process.
5. **Separate and independent organisation.** The shared service centre becomes an autonomous, legally independent organisation that may be either public or private. It has a normal customer-supplier relationship with participating organisations. Alternatively, market-based solutions can also be provided by the private sector to groups of government organisations contracting collectively with them. In this example, the value of co-operation comes not so much from the single supplier, but from the fact that demand is managed in a co-ordinated fashion to meet common needs.

Source: OECD (2005), *e-Government for Better Government*.

Another example of shared services is in the area of e-procurement. In 2001, the Irish Public sector procurement portal, *e-tenders*, was launched, providing online access to tenders.[32] Developed by the Department of Finance, the site is designed to be a central facility for all public sector contracting authorities to advertise procurement opportunities and award notices. The National Public Procurement Policy Unit (NPPPU) hosts a public procurement portal with links to all official public sector websites and web pages on public procurement.[33]

Rather than building new structures, it seems to make sense in the short-term to use the existing departmental structures to co-ordinate shared services (though not necessarily to deliver them), even if capacity and resources in most departments tends to be relatively limited, as in the case of some of their larger agencies. The Department of Agriculture, Fisheries and Food, for example, has provided value through shared corporate data and now shares business processes and systems, and has begun to develop an enterprise architecture for itself and its agencies. Benefits for the department include more rapid implementation of new business initiatives, reduced software maintenance costs, and more integrated management of information. This is a typical stand-alone approach, however, which is tailored for the Agriculture administration. As a service, it is excellent and means efficiency gains for the Department and the customers. The logic is close to that of Motor Tax Online service, which is also a stand-alone system.

The question is whether these systems can or should be more closely integrated to the government-level ICT development and maintenance. At the same time, co-ordinating relatively non-controversial shared back office services helps departments build a foundation for better horizontal co-ordination of service delivery areas.

Local government seems to provide a good example of using shared services in the Irish Public Service. This is mainly because the Local Government Computer Services Board (LGCSB) (Box 6.6), a separate and independent organisation, provides a centre of competence with aggregated buying power, and represents a critical mass for standardisation. The rest of the Irish Public Service however, has been slow to catch on.

Box 6.6. **The Local Government Computer Services Board**

The **Local Government Computer Services Board (LGCSB)** is a public sector organisation closely aligned with local governments in Ireland. It provides Ireland's 26 counties and many cities with a wide range of services:

- hosting wide area network;
- software platforms;
- research and Development;
- business systems: finance, housing, planning; and
- customer Service.

In its strategic plan for 2003-2007, LGCSB recognises e-government and electronic services as the most important drivers of new directions for the organisation.[1] Further, the strategic plan states that the provision of e-services should take place in a co-ordinated and integrated way, as much as possible. Within the LGCSB there is an awareness of the need to address business processes, and not only pursue automation of services.

The LGCSB defines the ICT vision for local government in Ireland is as follows:[2]

- citizen-centric;
- uses ICT to enhance the role for local government as the centre of communities;
- sets the core infrastructure to support operational needs and future strategic directions;
- uses the browser as basic tools set; and
- is simple to use.

1. A Partnership for the Future, LGCSB strategic plan 2003-2007, p. 57.
2. (2001), Better Local Government policy framework, E-service delivery framework strategy.

One recent positive step is that the Department of Justice will now provide financial support services to the Department of the Taoiseach.

The LGCSB is very progressive in ICT issues and the development and provision of shared services and works closely with the central government bodies, the Information Society Policy Unit (ISPU) within the Department of the Taoiseach, the Local Government Management Services Board (LGMSB), and the Centre for Management and Organisation Development (CMOD) within the Department of Finance. The responsibilities are clear, not thanks to a framework, but rather, through close communication between these bodies.

LGCSB works closely with local authorities. One of the biggest challenges is to reach consensus among the 34 local authorities on board in the organisation and there is no guarantee that all will buy in (*e.g.* in contracts with specific vendors). The level of dependence on the LGCSB varies from local authority to local authority, and a number of the larger local authorities have chosen not to use the LGCSB's shared services in certain cases, even though they are obliged to participate in its financing. This is not unusual for large local authorities which, like large government organisations, have the volume and scale to support their own solutions, plus the added incentive of wanting to add their own branding. It represents, however, a challenge for LGCSB to demonstrate the value added by its services, and the importance of allowing flexibility while maintaining coherence.

Enabling environment for e-government

While the PSB has encountered some difficulties in implementation, this is not unusual given the difficulties that all OECD countries have experienced in trying to join-up traditional bureaucracies. It has experienced, in many ways, the problems of a front-runner. What is important is to now learn from its mistakes in order to chart a path forward. It is not clear yet, however, whether or not these lessons have been understood and assimilated within the system.

Reach was the first unit developed to support a cross-governmental role within the Public Service. It, therefore, started in a strong position in its initial vision, possessing political support and financial support. As a champion, however, Reach was not well placed to push through change within the Public Service and was therefore insufficiently prepared in establishing the enabling environment to prepare the rest of the Public Service for integrated service delivery.

After reviewing the Reach agency's performance to date and looking at how to move forward, the eStrategy Group of Secretaries-General redefined the roles and responsibilities of the Reach agency. They now fall into three key areas:

- co-ordination and leadership;
- implementation and delivery of infrastructure and systems; and
- standards and operational policies.

These three areas are key for the success of a cross-cutting e-government strategy, but it would be wrong to limit reflection and action to the Reach agency. Instead, all of the major e-government players need to work together in order to contribute to a common vision – in an integrated rather than a compartmentalised fashion, while maintaining clear roles, responsibilities and messages.

The need for clear leadership

The governance structure for e-government in Ireland is confusing, and messages are not aligned. The distance between strategy and implementation – in both time and vision – has been wide. In some cases, programmes have taken so long to develop that strategic ideas have failed before reaching the agency level. Some agencies and departments are looking for support from a visionary leader and other agencies and departments are developing their own solutions without waiting for central leadership. In the medium-term, incentives need to be found for departments and agencies to collaborate.

There seems to be a desire for strong central leadership on e-government from most organisations. The Centre has an important role to play in managing the evolving agenda and prioritising key themes and issues that need central push and co-ordination.[34] There is a need for coherence from the Centre in the strategic planning process in modernising the Public Service. If not, there is a danger that mixed messages emerge where different parts of the Centre have responsibility for different aspects of modernisation.

At the current time, the Centre has an important role in maintaining momentum for modernisation in the Public Service. Under the current ethos of the Public Service, the change needed at such a scale and depth requires champions within the Centre itself, with the authority to ensure momentum and progress and those who are able to link the changes back to the modernisation programme.[35] Both the Departments of the Taoiseach and of Finance have argued that it is better to have departments with greater service delivery responsibilities on the Reach board in order to improve their chances of becoming engaged, and therefore, of delivering services linked to the PSB. On this basis, they have stepped down from the board. More recently, however, in bringing the PSB function back into the Department of Finance, there has been recognition by the Centre that cross-cutting programmes need strong leadership to get off the ground. Indeed, clear leadership is needed in order to encourage – and sometimes even force – government bodies to embrace whole-of-government objectives and to collaborate to deliver on those objectives. This does not imply a single organisational structure, but clarity of voice and co-ordination of the overall message is essential. Strong leadership from the Centre is needed in order to diffuse the message that developing demand-led services – as opposed to ones driven by the ICT community – will require a citizen-centred e-government approach that links the use of technology with the achievement of broader societal goals and the streamlining existing processes for greater efficiency and effectiveness.

Implementation: shared ownership and funding

At the departmental level, there has been little enthusiasm for PSB, in part, because they did not know what information and/or services they could provide to other departments and agencies, nor where they would find data that they could use/share. Thus PSB is confronted with a familiar dilemma for many service providers: without sufficient services to offer through PSB, there is no incentive for customers to sign up, yet without customers, there is no incentive for additional bodies to develop services for PSB. In these circumstances, it is much safer to settle for the status quo of compartmentalisation of online services.

Bodies may also have felt that they paid a price for the high security threshold established by Reach, regardless of whether or not it is necessary for the service that they would like to provide. Many officials interviewed by the OECD considered that the Reach authentication service is not sufficiently user-friendly. For security reasons, clients receive

login information via the traditional post and there is approximately three days time lag between registering and opening of an account.

The major exception to this dilemma has been the collaboration between Reach and the Office of the Revenue Commissioners (Revenue). Revenue wanted to introduce the PSBs identity service in relation to the payment of refunds. Reach is also currently involved in a pilot project to provide a central messaging service for the Criminal Justice sector. It will operate initially to exchange documents between An Garda Síochána and the Courts Service to enable the electronic transfer of a range of documents such as Summons Applications, Scheduled Hearings, Courts Outcomes and Bail and Warrants. It hopes that building on additional success will demonstrate to other departments and agencies the benefits of working with Reach.

These examples of collaboration are significant given that they are between bodies that report to different departments. The linkage with Revenue has also provided a big boost for Reach, giving it exposure to potential customers for other Reach-related services. In June 2006, the PSB was put to its first test as the entry-point for customers from outside of the public sector, in this case, workers within the PAYE (Pay As You Earn) system. The number of potential clients for the PSB is 2.5 million; as of summer 2007, 300 000 clients had been registered, and there are, on average, 3 000 new registrations per week.

There is no cross-cutting budgetary support or rewards for cross-boundary co-ordination, and no accounting mechanism in place to count the savings that an e-government initiative, such as Reach, could offer to an organisation. Funding and the possibility of sharing financial benefits are one of the most important levers for building ownership of cross-cutting services. One approach is to use central funding to support collaboration, which could be a precondition to receive funding. As discussed earlier, this approach has been used by the Canadian Government online (GOL) initiative. This would be an incentive for cross-cutting collaboration in service delivery. Reach would benefit from standardised service agreements and a revision of its payment and financing systems. The once-vast resources committed to this programme are now limited, and there is no multi-annual financial framework to track expenditures.

Ireland has experience with the use of central funding as a means to co-ordinate and drive central initiatives. As indicated previously, the Information Society Fund (1999-2005) was established to facilitate progress of the objectives of the first (*Implementing the Information Society in Ireland, 1999*) and second (*New Connections*) Action Plans on the Information Society. The Fund was not targeted at specific departments, but was available to all departments as was encouragement and help in formulating proposals for consideration. Recognition was given where several departments/offices worked together.

In the context of expanding public budgets over the past 10 years, a perceived lack of money has not been the core problem for e-government development. The Fund seems to have had more success in supporting cross-cutting projects. It was used to finance shared and integrated services such as REACH, OASIS, BASIS, Government networks, shared HRM services, as well as common systems shared by the Department of Agriculture, Fisheries and Food, the Department of Communications, Energy and Natural Resources and the Department of Transport. Cross-agency efforts were also one of its criteria for evaluation. Re-establishing the Fund could be one approach to create an incentive for bodies to participate in integrated service initiatives. Another approach would be to allow participating bodies to pay into a common fund to finance shared initiatives. In the USA,

for example, the Federal Enterprise Architecture allows for a "pass the hat" funding mechanism for agencies to contribute to jointly-funded ICT projects.

E-Government funding in the Netherlands is also based on informal agreements on joint funding of e-government building blocks (that is common public sector components for e-government implementation) among public institutions benefiting from these building blocks. Even though no central funding was available for those cross-cutting e-government projects, there has been a common understanding in the central government and with highly autonomous provincial and local governments, of the need to jointly develop common key components in order to ensure that all in the public sector benefits fully from their e-government services.[36]

In the cases of either central or shared funding, investment decisions need to be backed up by business cases for shared services and for integrated services, with multi-departmental participation as a criteria in order to increase joint ownership and accountability. Business cases should cross organisational boundaries between ICT and business units in order to ensure that IT projects are integrated with business processes and to capture all benefits, including those that accrue to traditional channels due to the improved use of e-government.

While their benefits cannot be precisely measured, e-government investments have probably aided the Public Service to meet some of the additional service pressures in the context of a rapidly expanding economy and population. In the context of slower growth, however, Ireland will also need to look at how shared and/or cross-cutting services can effectively reallocate or redeploy Public Service staff across the system to other areas where they can be more effectively used, or where there are greater needs. Experience has shown that both in Ireland and internationally, making processes, information and services electronic, without first re-engineering them to make them more user-friendly, is a recipe for failure. E-government requires new ways of working horizontally within and across government bodies. Finance and accountability systems hold the key to the incentives to make these new ways of working possible.

One means of ensuring that online services are focused on delivering expected benefits is to require the use of business cases as a prerequisite for the funding of ICT projects. Ireland is solidly in line with other OECD countries in terms of requirements and guidance for the use of business case methodologies. In response to an OECD questionnaire on the use of e-government cost and benefit methodologies, Ireland responded positively that, at least with regard to large ICT projects, it both requires and provides support in all of the areas identified by the OECD (Table 6.1). This offers no assurance, however, of the quality of the analysis and of how well it is integrated into decision-making.

In addition to justifying how business process reengineering can simplify and rationalise services, cost and benefit methodologies should also be used to hold projects accountable for achieving those benefits. This is a necessary step to support business process reviews and value for money for all ICT projects be they for service delivery or back office systems. As the experience with the Personnel, Payroll and Related Systems (PPARS) project in the health service sector has shown, cost and benefit analysis must identify costs on as wide a basis as possible, be maintained and reassessed on an ongoing basis, and set out targets and plans to achieve benefits.[37] By simply trying to replicate an exceedingly complex system in an online environment, the PPARS system failed at a high cost to the Irish taxpayer.

Table 6.1. **Use of e-government cost/benefit analysis in OECD countries**

Question	% of OECD respondents
Is cost/benefit analysis *ex ante* required?	78
Is monitoring information required?	56
Is cost/benefit analysis *ex post* required?	39
Is a benefits realisation plan mandatory?	28
Are there formal guidelines for cost/benefit analysis?	72
Are there formal guidelines for benefits realisation?	50
Are there formal guidelines for monitoring?	44
Is there a Gateway process for large projects?	39
Are there toolkits for C/B analysis?	56
Are there toolkits for Benefits realisation?	50

Source: OECD survey (2006): data from 18 countries.[38]

In essence, the development of a successful, effective online or e-government service requires that a full Business Process Review has taken place in advance, so that what is put in place focuses on how the end-user will interact with the system rather than on how the provider "thinks" they should interact. A customer focus implies that a user should not have to understand complex government structures and relationships in order to interact with government. It is important also to ensure that those who will ultimately administer the system are involved in risk models evaluations, legislative and regulatory analysis, and associated Business Process Reviews, as they can provide valuable insights into how structures and processes can be streamlined and simplified.

In a tighter financial environment, incentives will grow for the use of business cases to uncover efficiencies to be either reinvested or released in terms of financial savings. At the departmental level, the Department of Agriculture has demonstrated that consolidation of ICT projects and services can result in savings. Like other departments, it has its organisational stovepipes, but it has made an effort to work in an integrated way in order to provide a single view of the customer, land and animals. The Department is heavily dependent on large-scale tailored ICT systems and is upgrading its ICT infrastructure and developing enterprise architecture (rather than waiting for a common government-wide development.[39]) Even as it has launched new services, consolidation of services has allowed 150 staff to be released and 90 re-employed.

Looking at the Danish experience, budget reductions have tended to drive innovation rather than the other way around, *i.e.* cuts in organisation budgets have forced them to look for innovations and efficiencies in order to continue operating. This is the "stick" approach, but it also requires "carrots" such as a central funding, technical assistance, leadership and vision. In the Irish context, there is a need for expert evaluations and/or mechanisms to ensure that planned benefits are realised by holding government bodies accountable for their e-government business cases, at both the organisational level and in collaboration with other bodies (*i.e.* the sticks). While guidance and technical assistance are provided (*i.e.* the carrots), mechanisms for shared funding and shared services, and fora for the exchange of good practices and solutions are also needed, espacially for smaller agencies and bodies.

Common platforms: strengthening linkages between strategic implementation and policy

The enabling environment for cross-cutting e-government is crucial in order to allow different bodies within government to communicate with each other and share data,

processes and services, *i.e.* interoperability. This will require that the government implement enterprise architectures or service delivery architectures – road maps that organise government processes around organisational functions or service groupings rather than existing organigrams – supported by appropriate standards and tools which meet emerging requirements for things such as security, privacy, authentication, interoperability among the ICT infrastructures, data resources, business processes, and service and delivery channels used by many different organisations.

As discussed earlier, a number of organisations including the Revenue Commissioners, the Department of Agriculture, Fisheries and Food, and others can be seen as leaders in the development of enterprise architecture. The question is how the Centre harnesses bottom-up development in such cases. As noted earlier, this is a common problem in OECD countries in which advanced agencies set up initiatives in advance of the Centre that can, in turn, lead to problems of interoperability further down the line.

Creating common systems, sharing common information and data resources, and translating strategy into results on the ground require both top-down vision and bottom-up implementation – ensuring that these factors mesh is of central importance. It is a critical success factor that these activities are not on two parallel tracks. Key to a shared services approach is encouraging co-operation between ICT and business-process owners and technical assistance and guidelines in order to help government bodies. Established change management principles are applicable, such as making sure to not aspire for all at once, but to instead go for some quick wins to create an appetite for continued development.

The integrated service delivery dimension has proved to be challenging in Ireland. The vision requires a highly integrated approach to the management of technological and organisational change. There is an acknowledgement of the need for greater return on ICT investments, and that service delivery processes are key to successful e-government. As individual departments own processes, Secretaries-General need to agree on a framework of key processes and supporting information. The model should be based on agreement on the core processes and the implementation mechanisms required. An integrated e-government would be greatly advanced if Secretaries-General were to agree on an organisational model around the key processes of government as a prerequisite to developing a new strategy for e-government.

Enterprise architecture has been a source of savings and improved cross-governmental collaboration in a number of countries, including the USA, Denmark and the Netherlands. The German Administration Services Directory (DVDV – *Deutsches Verwaltungsdiensteverzeichnis*), for example, lists electronically available e-government services and fulfils an important need in creating a secure and reliable communication infrastructure, based exclusively on open Internet protocols and allowing cross-organisational, paperless processes. In operation since January 2007, it has helped more than 5 200 German civil registration agencies to save more than EUR 1 million per month. Worldwide, it is one of the first and largest standardised Service Oriented Architecture (SOA) implementations in the government area. The DVDV was made possible through unique co-operation between various levels of government and sectors in the Federal Republic of Germany.[40]

The implementation of elements of a national enterprise architecture in Ireland has encountered difficulties. The suggestion of stronger central leadership, tighter integration

with the modernisation programme, and the outcomes from the review of Reach and the PSB should provide direction and structures for these to be implemented.

When implementing any modernisation programme, the management of the change process will be much easier if standards and structures are in place from the start. This will require, however, close linkages between policy and implementation responsibilities. The manner in which an enabling environment is created to promote cross-government benefits is based on strategic choices. This is very different from the delivery of established and well understood ICT services and processes. In this respect, CMOD has taken a leading role in the development of both standards and enterprise architecture. This is encouraging. These efforts, however, should be more visible within the Public Service in order to draw in sector and technical expertise and to increase the level of engagement and, ultimately, to adopt and use of common standards.

Defining standards is crucial, but it cannot be done in a vacuum. Stakeholders need to participate in order to ensure the quality and usability of standards, as well as buy-in, so that they will be eventually used once adopted. In the Netherlands, the Standardisation Council, supported by a Standardisation Forum with stakeholder representation, was formally set up in October 2005 by the Ministry of Economic Affairs and the Ministry of the Interior and Kingdom Relations to enhance central co-ordination of standards used to implement e-government in the public sector. They began work in April 2006 after having their role and mandate defined: the emphasis of the work will be on ensuring interoperability of information systems by getting agreements on semantic (*e.g.* uniformity of usage of language) and organisational standards (*e.g.* harmonisation of information requests and procedures within organisations).[41]

Privacy issues are culturally sensitive in Ireland, and security is also an important matter. In order for advanced online services to develop to their full potential, identity management solutions are needed. CMOD began work in 2007 on an identity process proposal for a central identity service; it aims to develop a framework for enhanced operational integrity and effectiveness of identity needs in the public sector, while taking into account the privacy of personal data.[42]

A multiplicity of electronic identity and authentication solutions, in and of itself, is not a threat to e-government in Ireland, provided that multiple solutions are allowed. Given the size of the country, however, there is a risk that fragmentation of authentication and identification solutions will lead to confusion and high costs. It is vital to make better use of the Public Service Broker (PSB) and to strive towards the adoption of one unique tool for authentication. A system with double log-in/identification services, such as the one used by Reach, is too complicated, however, to obtain high take-up and effectiveness for applications that do not involve sensitive data. Rather than using a one-size fits all approach, Reach should offer solutions that are adapted to the security needs of individual online services.

Identifying the appropriate e-government model for Ireland

Given the need for greater efficiency and coherence, the trend in OECD countries is towards greater centralisation of many e-government tasks and roles, but it is important to find a model that fits Ireland, in terms of: 1) the functions (*e.g.* technical co-ordination, sector co-ordination); 2) the level of integration (*e.g.* integrated applications, shared service centres); and 3) the mechanisms and structures (*e.g.* CIO, IT councils, etc.).

Functions

While some very good examples of sector co-ordination exist, such as the Australian Centrelink and the Belgian Crossroads Bank (both are social welfare and social security sector solutions), the current trend among OECD countries is towards the creation of generic technological services and registers that can be used as appropriate, regardless of sector. Both the Netherlands and Australia have focused on developing "building blocks" – generic functional components or services[43] that several or all public institutions can use in their development of e-government services – to support e-government development.

The Dutch e-facilities or building blocks fall into five categories: e-access (*e.g.* Personal Internet Page), e-authentication (DigiD – digital signature), numbers (Business Service Number and Citizen Service Number), key registers (*e.g.* Persons, Businesses, Buildings and Addresses, Land Registry and Topography, Vehicles, etc.), and management (*e.g.* Government Shared Services for ICT).[44] In 2007, it is in the process of passing legislation to make the use of these building blocks mandatory for public bodies that need information contained in any of these registers.

Australia's e-government strategy has taken a similar approach to the PSB, but along multi-channel lines. The vision is to achieve the level of connected service delivery where government presents a consistent and unified face regardless of whether approaches are made in person, over the phone, using the Internet or any other form of technology. The elements or "building blocks" of a connected service delivery enabling the Australian government to deliver the vision of a connected government consists of four cross-cutting areas: access and distribution; interoperability; authentication and ID management; and personalised service options. Common frameworks and tools are envisaged, including:

- The Australian government service delivery principles: a set of standards for the design, development, deployment and evaluation of government service delivery.
- Distribution and access models: a conceptual overview of models for planning and delivering government services utilising community and business delivery mechanisms where appropriate.
- The service delivery capability model: a guide for mapping an agency's capability to deliver multi-agency, multi-channel and customer-centric services.
- The Australian government interoperability framework: consisting of chapters on business process, information and technical interoperability, and highlighting the standards and protocols for greater connectivity across these domains.
- Managing multiple channels: a guide for the strategic assessment and development of service delivery channels (web, shop-front, telephone, etc.).

It is anticipated that the Australian Government will develop an architectural model of how its service delivery vision will be implemented using the collection of frameworks and standards above – a so-called cross-agency service-oriented architecture (SOA).[45] Common SOA elements include: identity management; simplified and single sign-on, user account repositories; consent models and systems; authoritative source models and interfaces; Web services standards and interfaces; techniques for exposing all business processes as Web services; "translation" facilities to enable data from one agency to be used by another; security standards and modules; and a repository of reusable designs and systems.[46]

Level of integration

ICT solutions display varying levels of integration. Some ICT centres are shared and others are completely integrated solutions (Box 6.5).

The Dutch GBO Overheid is a recently established (2006) government-wide shared service organisation for ICT, including standardisation. It is responsible for the tactical and operational management and maintenance of generic shared key services for e-government. This includes: the authentication service; an infrastructure for the exchange of data through the Government Transaction Portal (GTP); forum standardisation; and security tasks.[47] An enterprise architecture is also being established in the Netherlands, including framework agreements for collaboration and work on legal requirements for participation of government bodies. This originates from the idea that development of an enterprise architecture commonly recognised by all parties in the public sector will facilitate making e-government services compatible and interoperable across sectors and levels of government. It is supposed to support the overall Dutch policy of decentralisation through a common framework where e-government initiatives will be able to develop in a way that ensures a basic technical fit into a common public sector collaboration framework.[48] In other words, it is seen as a means to ensure coherence across the Public Sector.

In a federal system like Germany there is an additional government level, which can make the development of interoperable services challenging when the different agencies have wide-ranging independence across a large number of public sector functions. The German Länder governments are independent – both of each other and the federal government – in their areas of competence. However, the country is taking an interesting approach to fostering cross-governmental collaboration, which may provide a real boost in this area in the future. The country's "Einige für Alle" (Some for All) strategy is being set up as a model of co-operation among different levels of government, as well as potentially for co-operation on a pan-European Union level. The federal government has selected a number of services to be developed across the country by lead units (either federal ministries, Länder governments or municipalities), which will have ownership over the development of particular services and will roll these services out to the other levels of government as they are developed. This model is designed to enable the entire country to capitalise on the fruits of many focused efforts.

The Deutschland-Online initiative has developed a decentralised vision of a fully integrated e-government landscape. This is due to be finalised by 2010 through the development of transferable best-of-breed solutions by lead units. The approach stresses the importance of synergies for e-government in a highly federated state and is an interesting bottom-up approach to developing cross-government service interactions.[49] While Ireland has fewer levels of government, until recently, shared services have been confined to individual departments or sectors (*e.g.* local government).

Structures and mechanisms for co-ordination

While it is not the only determining factor, the leadership structure for e-government can reveal the focus and priority that e-government has in a country. Table 6.2 shows where government-wide e-government initiatives are currently based in the Public Services of OECD countries.

Table 6.2. **Broad organisational approach to e-government co-ordination**[1]

← More administrative control				More political control →
1	2	3	4	5
Ministry with specific responsibility for IT	Ministry of Finance	Ministry of Interior/ Public Administration[3]	Ministerial board or shared ministerial responsibility	Unit/group created by or in executive office
Belgium	Australia	Czech Republic	Denmark	Austria
Poland	Canada	Germany	Japan	Hungary
	Finland	Greece	Korea	Iceland
	France	Italy		Ireland
	Sweden	Luxembourg		Portugal
	Switzerland	Mexico		Slovak Republic
		New Zealand		Turkey
		Norway		United Kingdom
		Spain		United States[2]
		The Netherlands		

1. Table from the OECD (2005), *e-Government for Better Government*, OECD, Paris.
2. Have shared budget/finance and public administration portfolios.
3. Interior (Germany, Greece, Netherlands). Public Administration (Luxembourg, Mexico, New Zealand, Spain, Norway).

Source: OECD Country Reports (2004) updated 2007.

When trying to decide which is the most appropriate e-government governance structure to follow, it is useful to look at the different forms of e-government co-ordination (Table 6.3) that exist in different OECD countries.

Table 6.3. **Forms of e-government co-ordination**

	Direct	Indirect
Centralised	National Chief Information Officer (CIO); E-government Unit	Regulations, frameworks (*i.e.* enterprise architecture)
Peer-to-Peer	Inter-agency body (*i.e.* Council of Agency CIOs)	Spontaneous information sharing; charters; voluntary agreements and MOUs

The establishment of a Chief Information Officer (CIO) is one approach to providing a more active role in e-government and in the utilisation of ICT in public administration. Since 2001, Austria has worked on establishing a fully digitised public sector through a joint public sector e-government strategy – *Digital Austria* – co-ordinated by a then new *Chief Information Officer* unit in the federal government. The Austrian public authorities have jointly defined some basic principles for their e-government development: *a)* all citizens and businesses shall be able to easily access the public administration electronically without any knowledge of the public sector and special technical skills; and that *b)* the Austrian e-government strategy is based on a close collaboration between the federal government, the federal states (Länder), cities, and municipalities. Only successful co-operation between all parties will ensure the efficient use of resources and synergies from e-government development. The result of these efforts has placed Austria at the top e-government benchmarks done by Capgemini on behalf of the European Commission in 2006 and 2007. This result was mainly due to achieving 100% fully online availability of benchmarked electronic services, and 99% on the new benchmark indicator measuring online sophistication of the benchmarked electronic services.

A unified leadership does not necessarily mean concentrating power at the very centre. In order to strengthen the transformation efforts in the Danish public sector and enhance cross-cutting digitisation processes, the Danish government, the regions, and the municipalities agreed in 2001 to establish a common public sector e-government project: Project Digital Administration. A management board was established and a digital taskforce was created as part of the Ministry of Finance. This was achieved through secondments of staff from central government, the regions, and the municipalities. The organisational concept was groundbreaking. It was also necessary in order develop project working skills and competencies, to breakdown silo-thinking and broaden the understanding of cross-cutting whole-of-public-sector thinking in transformation and digitisation processes.

The Digital Taskforce focused its work on cross-cutting e-government projects between central government, regions, and municipalities without regard to formal jurisdictions. In January 2006 – following the proposal for action by the OECD e-government review – all parties in Project Digital Administration decided to extend the project for another period 2006-2010. At the same time they integrated the project organisation – The Digital Taskforce – into the ordinary organisation of the Ministry of Finance merging The Digital Taskforce division with previous divisions of administrative simplification and administration policy into an Administration Political Centre. The aim of this reorganisation was to better exploit key competencies to support and enhance public sector transformation processes. This was necessary after a major change of the public sector structure occurred: the number of municipalities and regions were reduced and merged, and major areas of responsibility were shifted towards the enlarged municipal units and central government from the previous regions. The role of e-government has been mentioned as a key lever for harvesting efficiency and effectiveness gains within the new public sector structure, including creating larger and more skilled and competent e-government units locally as well as centrally.[50]

As a follow-up on the OECD e-government review of the country, since January 2006, Denmark has merged previously independent units on e-government (the so-called joint public sector *Digital Taskforce*), administration policy unit, and administrative simplification unit into one *Administration Policy Centre* within the Ministry of Finance. The main idea behind this decision was to strengthen the synergies between the three areas and to create joint competencies that could effectively address the challenges of public sector transformation. The Danish e-government strategy 2007-2010 is a joint public sector strategy covering all levels of government: central government, regions, and municipalities. Digitising the public administration is an integrated part of the Danish Modernisation programme.[51]

Yet another approach is to make use of other nodes rather than the Centre. The Netherlands, for example, follows a strategy of "outsourcing" implementation of many cross-cutting e-government projects to "arms-length" implementation organisations in order to professionalise e-government development and implementation and to create public sector "centres of expertise". One of these is ICTU – the Dutch government's e-government implementation centre. The Ministry of the Interior and Kingdom Relations established ICTU in 2001. Its main purposes was originally to: "… support government bodies in developing, introducing and implementing innovative applications in the field of information and communication technology … to assist those government bodies to that end, and to do all else associated with or conducive to this aim, in the broadest sense of the

word". The different projects managed and implemented by ICTU have generally been initiated and mandated by central government, specifically the Ministry of the Interior and Kingdom Relations. The e-government projects managed by ICTU have usually a cross-sectoral and cross-level nature involving extensive collaboration and co-operation involving several public organisations.[52]

Ireland could consider examining the experiences of both Denmark and the Netherlands to see if the combination of a strong central push and using implementation agencies as centres of expertise could be adapted to the Irish Public Service to reenergise the modernisation and e-government programmes (including shared services) and give them a new sense of purpose and direction.

Consideration could also be given to the appropriate governance structure, as discussed in the case study on Waste Management, and to develop business case methodologies in order to ensure the rigorous use of funds. As in the Netherlands, such a model holds potential for building up competencies that can then be used to enrich the rest of the Public Service, serving as a catalyst for the additional development of online services, and providing the personal and professional linkages necessary for an integrated approach.

Building trust and improving policy

The last three sections have looked at how Ireland has been part of a broader struggle in OECD countries to develop online services and to join them up to propose a seamless set of services. But the Internet also holds great potential not only as part of a one-way relationship in which users receive services from government, but also as part of a two-way relationship in which users and citizens are viewed as partners to provide feedback to the Public Service, to give it new ideas and new perspectives, to co-produce information and services, and to help in holding it accountable for quality services.

While this phenomenon is not limited to the Internet, it has reduced many of the transaction costs for citizens and other stakeholders to interact with their government, and internationally, has helped many governments to realise that in order to re-establish trust with citizens, government needs to be more open and inclusive.

The level of openess in government can be evaluated along three dimensions. Firstly, *transparency* – that the actions of the Public Service, and the individuals responsible for those actions will be exposed to public scrutiny and challenge. Secondly, *accessibility* – that the Public Service and information on its activities will be readily accessible to citizens; and thirdly, *responsiveness* – that the Public Service will be responsive to new ideas, demands and needs.

Each of these three dimensions of openness has practical implications from the point of view of those outside government looking in. From the public's perspective, an open government is one where citizens, businesses and civil society organisations have the ability to request and receive relevant and understandable information, the capacity to obtain services and undertake transactions, and the opportunity to participate in decision making.[53]

Ireland is an active promoter of open and inclusive government, as demonstrated in Social Partnership, the Ombudsman's Office, the *Freedom of Information Act 1997* and other relevant legislation, and the Quality Customer Service and Customer Charter initiatives. The Quality Customer Service dimension of the change and modernisation programme, in particular, has an important role to play in promoting open government. One of the 12 key

principles of Quality Customer Service (Box 6.1) entails a commitment to customers, consultation with customers, and the participation of customers (which include the general public as well as other key stakeholders) in the "development, delivery and review of services".

Transparency

In a climate where there is perceived and/or genuine citizen dissatisfaction with governments, there has been a renewed interest in providing objective performance information that shows their efforts to be more efficient, effective and accountable.[54] Politicians' interest in these initiatives in some countries stems from the hope that the provision of more quantitative information on performance will provide a visible affirmation that they are fulfilling electoral promises of improving public sector performance.

While there is strong evidence that transparency has increased internationally, the simple provision of information is not an end in itself. Supporters of this approach have argued that the provision of objective information in the public domain should shift the nature and quality of public debate.[55] It should move debate beyond subjective and biased evaluation of programmes, self-serving assessment of interest groups, and value judgements based on anecdotal evidence and scandals, and towards the use of more objective criteria from which to make rational decisions about policies and programmes and the allocation of resources.

Some international comparisons of performance, such as the OECD PISA study comparing education standards across OECD countries, have provoked debate on policy and performance and resource allocation, *e.g.* Germany and Norway. These studies are rare, however; and it is difficult to produce reliable data that enable accurate international comparisons.

Transparency and public recognition

Individual countries produce performance information for internal use. While most governments claim that their performance information is objective, if it becomes part of the political dogfight between the legislature and the executive – especially in an adversarial political system – questions will be raised about its objectivity. This is especially the case when the media's view is sceptical. This problem is exacerbated when there is no independent audit of performance information. Despite these issues, it is better to have some form of quantitative and/or qualitative performance information, than to continue to base discussions on inputs, anecdotes and weak evidence. The Public Service needs to design societal indicators that allow it to link reforms and service improvements back to outcomes that are understandable by the general public. While such overall indicators will also have to be linked back to more detailed process and output measures, in order to sustain momentum, it is important that both citizens and public servants see that reforms can lead to measurable improvements.

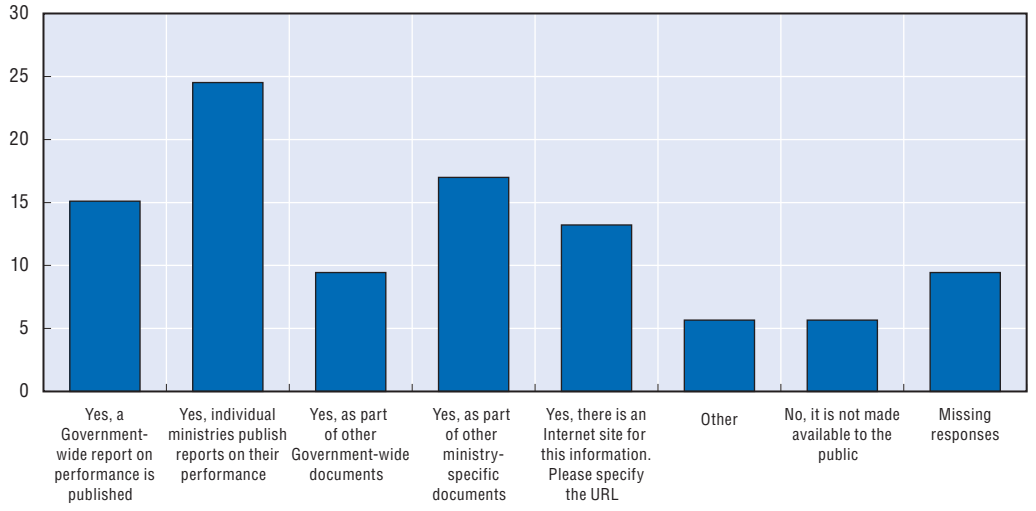
Many of the criticisms of Public Service responsiveness are, in fact, based more on anecdotal evidence than on a clear-eyed view of Public Service performance as a whole. Independent surveys of customer service indicate that the public is generally happy with the level of service provided by the Irish Civil Service. Two user surveys carried out for the Department of the Taoiseach in 2002 and again in 2006 show that 78% of customers in 2006 were satisfied with the service received from the Civil Service, which is consistent with

the 2002 level of satisfaction. The number of businesses overall satisfied with the service received from the Civil Service increased between 2002 and 2007 from respectively 71% to 81%.

The approach of making public the performance result of agencies and programmes seeks to recognise good performance. The majority of OECD countries publish information on the performance of the public sector. This has improved transparency by increasing the amount of information provided to the legislature and the public. As can be seen from Figure 6.2, this information is provided in ministry-specific and/or government-wide performance reports.

Figure 6.2. **Publication of information on performance against targets in OECD countries**

Percentages, 2007



Source: OECD (2007), *Governance at a Glance*.

Clear information is not always available, however. It is not easy to determine progress, or to compare one's own performance with that of another. The use of scorecards, benchmarking, or league tables may oversimplify performance, and should thus be used with caution. Such initiatives, however, can provide comparable information that does influence behaviour and therefore provides an important, if not perfect, link between performance and incentives.

The Program Assessment Rating Tool (PART) system in the United States and the SABP in Korea make public the performance of programmes in a rating system that allows for comparison (see chapter on Performance). In other cases, the strategic plans or annual performance plans of ministers have been rated. For example, in the 1990s, the US Congress ranked the strategic and performance plans produced by departments as part of GPRA. Although given the bipartisan nature of congress at this time, there was a political aspect to this exercise, however, it did not put these plans in the spotlight or motivate agencies to improve them.[56]

In Ireland, all ministries and agencies produce annual reports on their progress in implementing the objective set out in their three-year Strategy Statements, which are presented to the Oireachtas and are made publicly available. Departmental Output Statements

from 2007, which are included in those annual reports, provide improved transparency for the Government, Oireachtas, and the public. However, simply providing a series of unevaluated plans of differing quality and expecting them to be used in decision-making is unrealistic. The Oireachtas does not currently have the capacity in terms of staff or expertise to evaluate such performance information. Nor has its internal incentive structure been changed to encourage its use. At the initial stages, the Centre could produce some quality rating of departmental plans. An exercise similar to PART could be considered later.

In addition, rather than just giving the annual departmental performance report to the Dáil, the relevant minister could appear before the relevant departmental committee to present the report and explain the results and future plans.

The publication of information on performance means that citizens can make informed choices about services, especially for locally-delivered services. In the United States, many State governments benchmark service performance. Some national governments, for example in Australia and the United Kingdom, have provided performance information that evaluates and benchmarks the provision of local services such as schools and hospitals. In this area, the local government performance indicators developed by the Department of Environment, Heritage and Local Government are among the most complete in terms of defining and measuring service levels.

This league table type of approach, however, only provides a snapshot in time and does not explain the underlying causes of good and poor service performance. For example, a school may achieve high exam results because it accepts only high-achieving students and excludes or even expels underperforming or difficult students. Or a hospital could have a high mortality rate because it admits a certain quota of patients who have serious or difficult cases or have a fatal illness. League tables and benchmarking that provide explanations and more detailed information, rather than just raw numbers, can help citizens where they have the choice of local schools and hospitals. This information, while not perfect, can at least provide some guidance with regard to the level of performance and service provision.

While league tables tend to raise concerns about service equity, the public availability of this information and the fact that citizens respond to these data can serve to place the spotlight on underperforming service providers, and to motivate future action to improve performance. It also helps to empower citizens to take a greater role in ensuring the accountability of public services, and allows the Public Service to move discussions on quality away from anecdotes and towards measures that are clear and defensible. The key is to improve public debate through quality evidence rather than to try to put in place mechanistic relationships between funding and performance.[57]

Transparency of decision-making

The 1996 DBG included a recommendation for a *Freedom of Information Act*, which was enacted the following year. This has impacted on the whole of the Public Service, but in particular, the Civil Service. Most departments and offices have FOI arrangements in place, including a designated FOI officer and a published information system to assist those who might wish to make a request for the release of information. The FOI has helped promote a culture of openness, encouraging, for example, the regular publication of information on departmental web sites. Other legislation, such as the *Public Service Management Act 1997* has supported a culture of openness by requiring regular publication of Strategy

Statements, and Annual Reports that outline progress in meeting the objectives set out in those Statements.

In a 2001 report, the Information Commissioner noted that "the [FOI] Act has brought about major gains in terms of greater openness and transparency", in particular after it was extended beyond the initial government departments, local authorities, and health boards to a broader set of Public Service bodies. The report also notes, however, that greater openness can come at a price: "the processing of FOI requests can impose a formidable administrative burden on public bodies".[58] This is a legitimate use of resources, and should be part of an overall service strategy to see how ICTs can decrease the burden of meeting information requests as well as generating greater efficiencies. This can allow staff and resources to be reallocated to meet the demands of greater transparency (see section on e-government in this chapter).

The *Freedom of Information (Amendment) Act* of 2003 introduced up-front fees for requests and appeals (there are no charges for requests in relation to personal information) which seems to have reduced the number of information requests and which has *de facto* limited the impact of the original Act.[59] In the interest of social cohesion and trust in government, greater efficiency and the fight against corruption and greater transparency should be an ongoing objective even if it can sometimes be uncomfortable and/or costly. The government should reduce barriers to public information by making all requests under the *Freedom of Information Act 1997* free and extend its reach to a wider range of state agencies, such as Vocational Education Committees (VECs). While user charges may limit frivolous requests (and therefore reduce burdens on the Public Service), they also serve as a disincentive to greater openness.

Increasing transparency is not just about making information available, it is also about making it understandable and usable, *i.e.* expanding the "legibility" of the Public Administration for citizens and users. In 2005, the government introduced a model of Regulatory Impact Analysis (RIA), for all new legislative proposals. In summary, it is now a requirement that prior to developing new legislation, a RIA is conducted, which involves looking at a number of options to achieve the desired objective, including a non-legislative option should that be feasible. In addition, a required element of RIAs is that consultation must take place with stakeholders regarding the options being considered, and the findings of the RIA should be submitted to government as part of the decision-making process. RIAs should also be published once the relevant draft legislation (Bill) is published. The Department of the Taoiseach has actively promoted RIAs, delivering training courses and developing and publishing detailed guidelines, *RIA Guidelines: How to Conduct a Regulatory Impact Analysis* (October 2005), available to all staff involved in policy/legislation formulation.

The results of RIA should be centralised and made available to the public. To date, data on RIAs conducted in Ireland has been limited, in part, because there has been a necessary lead-in period since it was formally introduced in June 2005, and because there is no formal requirement that RIA be published. RIAs should be published by each Department and should be easily accessible. Each Department should have a dedicated RIA page on its website where RIAs produced by that Department are published. In addition, as it may not always be clear to the public or interested stakeholders, which department or office is taking the lead on a particular regulatory issue, RIAs should be made available electronically through one centralised location, possibly by providing links to the relevant

departmental website for additional information. While Ireland publishes details in advance of its legislative programme – legislation that it proposes to publish in the coming term – it is not always clear from such programmes when a related RIA might be made available. The requirement that Annual Reports from 2006 onwards would include information on RIAs published in the preceding year (as outlined in *Towards 2016*) will also help to improve transparency and openness.

Accessibility

Increasing openness is also about promoting the accessibility of public services and information. An increasingly diverse Irish society means that a renewed focus on access to the Public Service is needed for underserved and underrepresented populations, particularly for those citizens who do not have English as their first language. Access and participation channels that have been tacitly known to-date will now have to be made more explicit, *i.e.* "the rules of the game" need to be spelled out. Some departments have made strides in ensuring that information is now available in languages other than Irish and English (such as Polish or Chinese). Challenges exist, however, in ensuring that composite information is made clear for those who have irregular or sporadic contact with government. For example, the "green pages" in the annual Phone Books produced and distributed to every household contain valuable contact information (telephone numbers) for both the Civil Service and relevant Public Services (such as local authority numbers). However, knowing which is the correct division or unit, the correct department, agency or body, can require a detailed level of understanding and/or awareness of which department has functional responsibility and of the terminology that will be used to describe a function. Knowing who to call, or which website to search for information, can be a daunting challenge.

Central to improving the legibility of the Public Service is the Customer Charter Initiative. A Customer Charter is a short statement describing the level of service a customer can expect from a government department or office. Launched in 2002, it provides citizens with a description of the level of service they can expect from a government department or office. By working through the four-step cycle in the Charters of consultation, commitment, evaluation, and reporting, departments and government bodies ensure that the level of service provided to citizens is constantly improving. Work is ongoing at the moment to extend the Customer Charter Initiative to the wider Public Service and to strengthen commitments to customers (see section in this chapter on Mechanisms to improve Public Service delivery).

In addition to the use of customer charters and customer action plans, the *Ombudsman's Guide to Standards of Best Practice for Public Servants* (first published in 1997 and revised in 2003) also helps to define good administrative behaviour, *i.e.* how public servants will interact with the public in carrying out their duties: how to deal properly, fairly, openly and impartially with the public. These concepts were further elaborated in 2004 by the publication by the *Standards in Public Office Commission of the Civil Service Code of Standards and Behaviour* and, subsequently, the *Code of Conduct for Local Authority Employees*. In a speech given to Public Affairs Ireland, the current Ombudsman and Information Commissioner suggested that the principles in the *Ombudsman's Guide* should be consolidated with the codes of behaviour into an *Administrative Procedures Act*.[60]

Such proposals promote awareness about the Public Service to outsiders. It helps public servants make sense of how to interpret rules and procedures as they apply them to

their own work responsibilities. It also assists in communicating a citizen-focused message throughout the Public Service and beyond.

The efforts of the e-government and Quality Customer Service initiatives should be noted, especially in the way they have focused on making the Public Service more accessible to citizens and users (these have been discussed above). The Citizens Information portal and the BASIS (Business Access to State Information Services) portal are both good examples of early e-government services designed to improve citizens' access to information. The concern for accessibility has also been a key driver behind the integrated Public Service philosophy underpinning the life cycle approach laid out in the *Towards 2016* Social Partnership agreement. While the Public Services Broker (PSB) has encountered some difficulties in implementation, its initial vision of an integrated Public Service from the citizens' perspective also remains a sound one that should continue to be pursued (see section in this chapter on Online services).

Accessibility is also one of the principles of good regulatory practice. Improving accessibility of legislation has been significantly advanced in Ireland through the regulatory reform agenda. In addition to the removal of over 3 000 obsolete statutes from the Irish statute book, efforts have focused on consolidating primary legislation to make requirements more readily accessible, particularly for business. Notable progress has been made in the areas of company law, financial services legislation, and land and conveyancing legislation. Progress has also been made in improving the accessibility of secondary legislation. Despite this, additional efforts are needed in the future to ensure that additional requirements do not continue to be added to the legislative code without regular consolidation of both primary, and secondary, requirements. Departments such as Social and Family Affairs have developed systems to regularly consolidate their statutory requirements. As the RIA process (see above) becomes more embedded within the Irish system, *ex post* reviews should question whether there is a need to retain legislation, which would lead to more regular consolidation of texts.

Strategic plans on how to serve marginalised populations such as Travellers or Roma have been developed by the Community and Voluntary pillar of the Social Partnership. These have shifted away from simply defending equality for these populations to an active social development approach. As there is little data for many marginalised groups, however, it is difficult to specify the extent to which some populations have fallen behind. Another strategic plan showed the difficulties for the rural population in accessing public services and linked the decline in social services to rural flight. This has raised the question of how to provide public services in local areas with declining populations while locally integrating services.

Finally, opening up the Public Service will require changes both internally as well as at the user-interface. For example, the traditional culture and ethos of religious schools in accepting public intake is now being challenged by the right of access to education for new immigrants, even as the Public Service tries to figure out how to achieve a mix of both religious and non-denominational schools to serve the entire population (see case study on School Planning). More efforts are also needed in maintaining a diverse and welcoming workplace. For example, the Garda Síochána has struggled to make its ranks reflect the diversity of the population that it serves, but opening up the workplace will require renewing the culture to make it more open and inclusive (see chapter on Capacity). Increased diversity can also mean that some populations have less access to the political

level (see section on accountability in the chapter on Governance). Consultation and participation initiatives will also need to be made more accessible. Otherwise there is a risk of compounding existing inequalities.

Policy responsiveness

Governments seldom get credit for trying to improve their Public Services. Many of the trade-offs involved in improving service quality may not be immediately visible to the public eye. In some cases, the public may see the trade-off in slower response times, but not necessarily in the resultant benefits. For example: 1) higher quality standards – including those associated with EU membership – can increase costs and build in additional processes; 2) more systematic and robust consultation can improve the quality of policies and protect the rights of under-served populations, but may increase delivery times; 3) more rigorous analysis and up-front consideration of costs *versus* benefits can increase planning periods while the payoffs in better risk management and improved implementation may come further down the line; and 4) internal co-ordination mechanisms can reinforce policy coherence, even though the results may not always be favourable to individual constituencies.

Efforts are underway in Ireland to integrate QCS principles and a greater focus on the end consumer with the other elements of the modernisation process targeted at staff involved in policy formulation. For example, staff involved in conducting RIAs, are required to take account of the views and comments of the customer/stakeholder when considering options related to new regulations. Such consideration and consultation with a broad range of stakeholders and citizens when developing new policies or regulations, can lead to more focused policies and regulations that will be easier to implement. The idea that a cost and benefit analysis might be beneficial to the external or internal customer however is not as yet embedded within the system. While initiatives may advocate or require greater consultation with stakeholders, public servants don't always see this as being related to QCS.

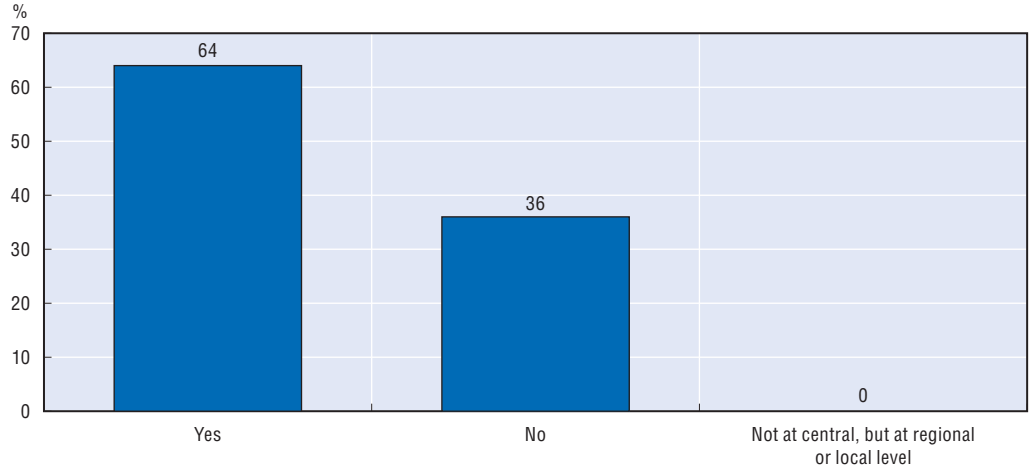
The context in which national governments and citizens interact is increasingly complex. Policy decisions are made at multiple levels of government. Finding solutions for many problems, requires co-operation and agreement across regions, countries, or at the global level. For these reasons, effective engagement of citizens and other stakeholders in policy making is at the core of good governance. It allows governments to tap wider sources of information, perspectives and potential solutions, and improves the quality of the decisions reached.[61]

OECD countries have increased their efforts to engage citizens in policy making through consultation, often via online tools. Active participation seems to be growing, but at a relatively slow pace. There is no single best way of engaging citizens and all solutions are bound by what is culturally relevant and acceptable. The Nordic countries, for example, have taken a dual approach by both strengthening "active citizenship", *e.g.* reinforcing NGOs, promoting voluntary work, etc., as well as by strengthening citizen engagement in policy making.

Open and inclusive policy making

Ireland is part of the majority of OECD countries that have in place an overarching policy, law or regulation at the central government level that aims to promote more open and inclusive policy making. It is also among the group of OECD countries that have an organisation at central government level (the Department of the Taoiseach) which promotes open and inclusive policy making (Figure 6.3). To assist policy makers in carrying

Figure 6.3. **Response by OECD countries to the question: "Is there a central organisation in your government to promote open and inclusive policy making?"**



Note: Based on draft discussion paper for symposium PGC 36 on "open and inclusive policy making", (data based on 24 country responses plus the EU). Countries responding "yes:" Austria; Czech Republic; Finland; France; Germany; Hungary; Ireland; Korea; Luxembourg; Norway; Poland: Turkey: UK: US; Chile (observer); Slovenia (observer): US. Countries responding "no:" Australia; Italy; Japan; the Netherlands; Slovak Republic; Spain; Sweden; Switzerland.

out effective and inclusive consultation with stakeholders, the Better Regulation Unit of the Department of the Taoiseach published *Consultation Guidelines for Public Sector Bodies* in July 2005.

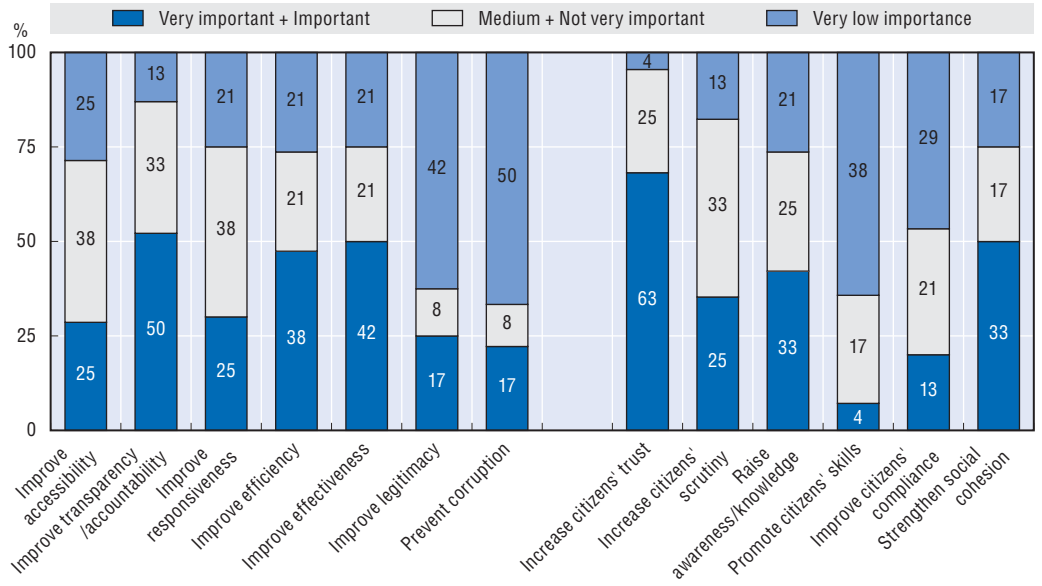
These guidelines are a welcome step in promoting awareness of the need to consult all stakeholders when considering new policy proposals. In time, this should lead to greater equity of treatment and improved access to policy development by those stakeholders with limited resources, or those with limited ability to lobby government.

In response to an OECD questionnaire co-ordinated by the Department of the Taoiseach, the Irish Public Service revealed that the government's goals of open and inclusive policy making are mainly to 1) improve government efficiency and to improve policy effectiveness, 2) strengthen social cohesion, and 3) improve citizens' compliance. Most other OECD countries responding to the OECD questionnaire put primary emphasis on increasing citizens' trust and improving transparency and accountability as goals (Figure 6.4), but the Irish goals mentioned are not far off the general trend.

The biggest benefits for Ireland in this area were improved policy effectiveness and government transparency and accessibility, as well as "raised citizens' awareness and knowledge" and "strengthened social cohesion". The first three benefits identified also reflect the opinion of the majority of other OECD countries. Other OECD countries, however, tend to be more sceptical of the idea that social cohesion has been strengthened by citizen engagement initiatives. Ensuring that the citizen gets the best possible value for their money is another key guiding principle to the delivery of service and development of policy. This applies equally to the process of consultation.

Commitment, rights and clarity were the principles that made the most progress in the last five years in Ireland (the most common responses OECD-wide were rights and active citizenship). This seems to support the general trend in Ireland towards a more rights-oriented legal and political culture, but emphasis on clarity is also a welcome development. The areas identified as most difficult included matters of co-ordination,

Figure 6.4. **Response by OECD countries to the question: "What is the priority currently allocated by your government to the goals of open and inclusive policy making?"**



evaluation and resources (the most common responses OECD-wide were: resources, time and evaluation). Once again, Irish responses have tended to fall in line with the average OECD countries' responses. Evaluations are mainly taking place during or after completed activity, in order to improve management of initiatives.

The perceived biggest risks were consultation fatigue, *i.e.* citizens' reduced interest in participating in the future, and hijacking by special interest groups, whereby the outcome is not representative of entire population's views. Other OECD countries saw other risks as far more relevant: delays in policy implementation, conflicts with politicians, and higher administrative burdens.

There are several potential risks associated with increasing the openness and inclusiveness of the Public Service, *i.e.* exposing it to greater outside participation. The Public Service becomes more open to those who are actively participating – people who generally tend to be well educated – but less legible to those who do not have access to the same resources and education. This is underlined by the fact that the biggest difficulty government is facing within this area of work is one of co-ordination. To avoid things like consultation fatigue, greater cross-departmental and/or cross-agency communication on proposed public consultation processes is needed. This, for example, might allow similar topics or issues to be addressed in composite documents with results shared. Not only would this permit better targeting of consultation processes, but would also ensure that duplication in the system is minimised. The creation of a consultation portal, a central database where the public or interested parties could see what processes are underway in thematic areas which would allow them to submit comments online, could also improve response rates (though the potential for abuse by special interest groups would need to be considered).

In order to prevent consultation fatigue, the Public Service needs to show how consultation and participation results are used. This does not necessarily mean that

everything must be taken on board, but that participants receive confirmation from Public Service bodies that their views have been heard and understood. "Too much" participation can actually render the system illegible, as it is important to be able to draw the "big picture" from a multitude of voices based on whole-of-government needs. Towards this end, evaluations of consultation are useful in order to connect the different voices and to tie them back into a national policy. This is in line with RIA best practice.

Consultation and participation initiatives should not be conducted for their own sake, but rather, should support government objectives. With this in mind, it is useful for the Public Service to be clear about why it is doing consultation and participation, *e.g.*: 1) for informing participants about costs and benefits of potential new policy; 2) for consulting them on policy analysis and options; 3) to understand their concerns and aspirations; 4) for collaborating with them to identify policy options; or 5) to empower them to make decisions,[62] and to link the type of consultation/participation with the purpose of the consultation.

When looking at the case studies in this report, it is apparent that consultation has been used in different ways. Those disagreeing with policy have tended to take their case to the media, where policy discussions tend to focus on anecdotal cases rather than a balanced view of costs and benefits for a sector as a whole. Policymakers need a real belief that citizen feedback is a critical tool to improve policy and to develop strategy, as well as an understanding of how do it:

- **in the School Planning case study,** the Department of Education is overburdened with the responsibility to maintain contact with some 4 000 school authorities, and school authorities themselves do not have an effective means to communicate their concerns back to the Department;
- **in the Waste Management case study,** the private sector is consulted on regional waste management plans, but it is unclear what consultation has been done with individual citizens and communities;
- **in the Managing Agencies case study,** little consultation has been done in this area, and little has been done to inform users and/or to help them navigate the Public Service. While this is less relevant for those Public Service bodies that have little contact with citizens, the process of agencification has largely rendered the Public Service less legible to the general public, so the voices most likely to be heard on this topic come from within the public sector itself, such as the Association of the Chief Executives of State Agencies (ACESA); and
- **in the Hospital Reconfiguration case study,** following the decision to proceed with the reconfiguration of hospitals, the HSE and the Department of Health and Children have met extensively with patients' groups to understand their concerns and to share information on reforms. Local Health Partnership Forums have also been established to help work out the challenges related to the implementation of reform, but they have no say over the policy itself. Notwithstanding these efforts at consultation however, there are concerns that effective communication and sharing of information regarding the objectives underlying the hospital reconfiguration project have yet to take place with the public in the North East Region.

Role of Social Partnership

In policy making processes, greater openness and inclusiveness is supported by National Social Partnership arrangements including industrial relations, Public Service

reform and workplace partnership procedures. Further background information on the Irish Social Partnership process is set out in the chapters on Fiscal and Demographic Developments and on the Irish Public Service.

The consensual approach to Social Partnership is positive and quite unique in the level of engagement it inspires. It needs to be constantly exposed to outside voices, however, in order to keep it from becoming overly rigid. Given the wide range of areas that it is involved in, in addition to industrial relations, it is important for Social Partnership to have more of an outward citizen focus in delivering benefits for the economy and the society as a whole, rather than an inward focus in terms of protecting its members' rights, regardless of a changing economic and social landscape.

There is also a need to continue other forms of consultation and participation as a complement to Social Partnership, both directly by the Public Service and through using Social Partnership consultation mechanisms. The recognition of the Community and Voluntary pillar of Social Partnership was an important step in this direction, as it has served to provide a voice for previously underrepresented populations. Some observers have also noted a shift away from consultation to the use of high-level Civil Service groups with a more technocratic approach. In addition, while it is appropriate to have an *a priori* expectation of Social Partnership consultation in advance of most new policy, the levels and degrees of consultation should be matched to the level of significance of the issue at hand. The need for consultation should continue to be weighed against other needs and considerations, including the timeliness of a decision and the significance of the issue. One possibility would be to agree on threshold criteria for consultation on an issue-by-issue basis, and/or setting limits on the duration of consultation.

Workplace Partnership

Organisational level Partnership structures and processes also have a role to play in providing a voice to the internal customer in the Public Service. Partnership structures have been established within each department and office: comprising staff from management and the representative unions. This was a way of improving communication, transparency, buy-in and internal discussion on changes to work practices. Significantly, these processes have provided a forum for staff that traditionally have no meaningful involvement in joint problem-solving and decision-making. Such Partnership structures create a space where issues of interest to staff – for example to do with Health and Safety in the workplace – can also be raised. As both users and providers of public services, members of Social Partnership should look for common cause with citizens by bringing their voices into discussion arenas where there is a major impact for users. For example, as shown in the case study on Hospital Reconfiguration, implementation discussions in the local Health Sector Partnership network should be more transparent and include broader consultation of citizens and health service users impacted by the reforms.

Formal reviews of Workplace Partnership within the Civil Service were undertaken in 2002 and 2003.[63] These reviews found that participants welcomed the opportunity to engage with one another in a non-confrontational forum, with many staff and union representatives indicating that this was their first opportunity to have an input on strategy, and to influence departmental direction. The use of the full range of available joint problem solving, decision-making, and group development processes varies significantly between committees. Some are very advanced and innovative, and others considerably less so. Generally these new processes are quite under-developed and under-used.

Organisational Partnership structures should be used to help generate ideas on how to improve performance, rather than focusing only on conformity with modernisation process.

National Social Partnership and Workplace Partnership structures have evolved as part of the Irish system and continue to have a relevant and important role to play. It needs to find a balance, however, between its consultation function which is an important input to improve both policy making and implementation, and the need for a more flexible, responsive and citizen-focused Public Service. In order to strike this balance, it should make use of its existing consultation mechanisms to bring new voices to the table, including users and underrepresented groups, and to focus on desired outcomes as well as processes. Finally, in relation to the need to build trust, Social Partnership has an important communication role to play *vis-à-vis* both internal customers and external users about the vision for the Public Service and the benefits that it has achieved (see also section on strategic planning capacity in the chapter on Governance).

Conclusion

Ireland has made strides in improving service quality. Additional improvements will depend on extending the customer-focus beyond narrowly defined customer service initiatives to cover all aspects of the work of the Public Service. This implies rethinking and reorganising the production and delivery of services from a customer-perspective, championing a more robust implementation of the life cycle approach, integrated delivery of online services, and clarifying for citizens and other users what they can expect from the Public Service through the use of Service Charters. It also requires maintaining an open and transparent Public Service in order to allow citizens a greater role in helping to assure service quality and to hold the Public Service accountable.

In particular, a quality customer service approach needs to be brought to e-government, in order to improve the user friendliness of services, to better bring together the technical and business sides of service development, and to integrate services seamlessly across bodies. Focusing on business sector needs (*e.g.* through the Better Regulation initiative), for example, can help identify business service improvements such as data sharing between Central Statistics Office (CSO), Revenue Commissioners, and the Department of Justice, Equality and Law Reform, but some logistical and data issues still need to be resolved.

Ireland has been a visionary country in terms of electronic service delivery. It is now facing the challenge of taking this insight into how services should be integrated from the user's perspective one step further by putting in place the governance structures and enabling environment needed to deliver an integrated Public Service based on shared services, processes, and information.

Decisions to take part in shared and integrated services lie with each department; but pressure is needed from the system as a whole for an integrated approach. Wherever e-government is centred, it needs to have shared ownership. The Centre needs to be more active in taking advantage of individual initiatives and developing them at the whole-of-government level. One alternative would be to piggyback on individual organisations' developments, and another would be to establish whole-of-government bodies apart from the central government.

There is a need for a consistent, whole-of-government vision and leadership for e-government. Communicating a clear vision on how e-government can support the modernisation agenda would create an appetite within Public Service bodies to join in

integrated service delivery initiatives to provide a consistent user experience across multiple channels. A clear e-government vision and agenda would also help individuals to orient themselves and ensure that they take action in a direction that serves the whole-of-government.

Many insightful reports and analyses on the state and the future of e-government in Ireland have already been published. The message is clear that there is a need for a holistic, integrated approach to e-government and not only in strategy but in implementation and delivery.

E-government responsibilities in the Irish Public Service are generally clear, not so much by design, as due to the fact that Ireland is a small country with informal ties between departments and agencies, and between politicians and citizens. However, there is a need for a more explicit framework that bridges the gap between strategy and implementation, and between policies and citizen demand. It is important to ensure a clear feedback loop from service delivery units back to policy making units to ensure enhanced development and the best timing possible.

Citizens and customers could be better utilised in order to draw on their preferences and experiences with the Public Service. Towards this end, the development of performance and customer satisfaction measures need to be based on uniform measures that can be adapted to a particular context, but that still yield comparable results in order to give a complete picture of user groups. Additional consideration should also be given to the development of both quantitative and qualitative performance indicators that are comprehensible to citizens and that reflect the societal goals that are important to them.

With this in mind, customer service achievements from all departments and offices, currently outlined in annual reports, should be consolidated into an annual publication. Combined with greater use of qualitative and quantitative performance targets, this would facilitate more comparisons and benchmarking across a more integrated Public Service. RIA should be published/made publicly available once the relevant draft legislation (Bill) is published. And the government should reduce barriers to public information by making all requests under the *Freedom of Information Act 1997* free and extend its reach to a wider range of state agencies, such as Vocational Education Committees (VECs).

Continued transparency of the Public Service, accompanied by targeted and purposeful user consultation will help build citizen trust in the Public Service. At the same time, however, there needs to be a recognition that these processes take time and energy. Consultation fatigue can be reduced through greater cross-departmental and cross-agency co-ordination and communication on proposed public consultation processes. It would also be worthwhile to consider the development of a central portal site where both the Public Service and members of the public can get information about, and file submissions on consultation processes across the Public Service.

The purpose of these efforts is to recognise that user feedback and input can benefit the Public Service as a whole by providing insights into how services and policies are perceived. It also recognises that the Public Service is there for all of the Irish society, and that increasingly citizens, businesses, Social Partners and civil society groups are all partners with an integrated Public Service in responding to societal needs.

Box 6.7. **Key recommendations**

Maintain focus on service quality

Reforms to improve customer focus under the Quality Customer Service initiative should be implemented more systematically and monitored more closely, including customer service charters, Public Service excellence awards, central guidelines on standards of customer service delivery, and customer satisfaction surveys.

Focus on developing more quantitative performance measures and targets for faster and more efficient delivery of services that help citizens link Public Services with achieved benefits: more basic service delivery items should be compared and benchmarked across government. The quality standards themselves, as well as individual departments' success in achieving them, need to be more transparent and available to the public on an annual basis. The customer service achievements of all government departments and sectors should be reviewed annually in a single document.

Encourage public bodies to adopt and achieve international standards and quality frameworks, such as the European Common Assessment Framework or the Canadian Common Measurements Framework. External accreditation is also needed as an important quality tool, *e.g.* ISO 9000.

Renew e-government efforts with a focus on reinvesting benefits into improved service quality

The Centre should improve linkages between the modernisation and e-government initiatives.

Reinforce and extend QCS efforts in the e-government arena: a revision of processes from a user's perspective would make online services more use-friendly by applying a structured approach to the development of online services, *i.e.* a system to support and capture innovation from the bottom up in order to improve the effectiveness of the system as a whole. For example, rather than using a one-size fits all approach, Reach should consider offering solutions that propose different levels of security according to the needs of a particular online service.

Government bodies that lag behind in the implementation of e-government should be pushed to develop in multiple ways: 1) clearer objectives and related, measurable targets are needed, as well as accountability for delivery; 2) more guidance and technical tools such as contract templates; 3) the sharing of good practices and good practice criteria; 4) the nomination of centres of excellences could, for example, contribute to a raised standard of e-government by sharing good practice and providing technical assistance and/or services on behalf of other bodies. In these areas, the experiences of Denmark, Canada, and the Netherlands could be instructive.

Join-up e-government across government

Introduce shared-funding frameworks for cross-government applications: Common financing is needed in order to create incentives and shared ownership of cross-government services. Collaboration and joint applications must be a precondition to receive monies through common funding. It is also essential to reinforce the cost and benefit analysis capacity of departments and agencies in order to better quantify, and make explicit, potential benefits of both shared and integrated services.

Provide e-government leadership with one voice: The Centre should act as a champion for connected and aligned e-government at the highest levels. Clear leadership is needed in order to encourage – and even force – government bodies to embrace whole-of-government objectives and to collaborate to deliver on those objectives. This does not imply a single organisational structure, but clarity of voice and co-ordination of the overall message.

Prioritise the development of standards and enabling frameworks: Given the strategic importance of establishing a foundation for integrated e-government, there should be close co-ordination across policy and implementation responsibilities, and an integration of reform levers (*e.g.* expenditure control, operating protocols, technical standards, interoperability, and the overall architecture of the public ICT domain). The development of standards and enterprise architectures that underpin integrated and shared services should be more visible within the Public Service in order to draw in sector and technical expertise and

Box 6.7. **Key recommendations** *(cont.)*

ultimately encourage the adoption and use of common standards. Secretaries-General should agree on the core processes and implementation mechanisms as part of a new strategy for e-government, and then on a framework of key processes and supporting information.

Take an incremental approach to the development of shared services: Increasing officiency through shared services can help restore confidence in the benefits of e-government. Shared services, however, should be a strategy that is only pursued where a clear *ex ante* case can be made for achieving either financial benefits or service improvement.

Continue to foster an open Public Service

Consolidate Public Service information in order to make it more transparent and easily accessible: Renewed effort should be made to streamline information about Public Service contacts, regulations and service standards in order to promote clear Public Service delivery standards and to make them more accessible to citizens and other users of public services.

Make the results of regulatory impact analysis (RIA) more easily available: The results of RIA should be centralised and made available to the public. While Ireland publishes details in advance of its legislative programme – legislation that it proposes to publish in the coming term – it is not always clear from such programmes when a related RIA might be made available.

Improve co-ordination of consultation efforts: The Public Service should explore greater cross-departmental and/or cross-agency communication on proposed public consultation processes for a more integrated approach to consultation. This will allow similar topics or issues to be addressed in composite documents with the results shared. Not only could this allow for better targeting of consultation processes, but would also ensure that duplication in the system is minimised. The creation of a consultation portal – a central database where the public or interested parties could see what processes are underway in thematic areas, and would allow them to submit comments online – could also improve response rates.

Clarify the purpose of consultation and participation initiatives: The Public Service should be clear about why it is doing consultation and participation,* and link the type of consultation/participation with the purpose of the consultation. For example, at the national level, planning in the health sector must be more consultative in order to better anticipate investment needs and demographic requirements. Greater evaluation of consultation would also help clarify whether efforts are meeting their stated objectives.

Increase transparency and feedback on consultation and participation efforts, i.e. who is consulted and how is their input used. This does not necessarily mean that everything must be taken on board, but it does mean that participants need to hear back from Public Service bodies that their views have been heard and understood. Towards this end, *integrate a quality customer service perspective into policy formulation and development.*

Organisational Partnership should develop a more strategic role: Workplace Partnership structures should be used to help generate ideas on how to improve performance, rather than focusing only on conformity with modernisation process.

Use Social Partnership to encourage citizen participation at the local level: As both users and providers of public services, the Social Partners are well-placed to enhance common cause with citizens in order to bring their voices into discussion arenas. This can be achieved by continuing other forms of consultation and participation as a complement to Social Partnership – both directly by the Public Service and by using Social Partnership consultation mechanisms. The focus should be on delivering benefits for the economy and the society as a whole.

* The International Association of Public Participation lists five reasons for public consultation and participation: 1) for informing participants about costs and benefits of potential new policy; 2) for consulting them on policy analysis and options; 3) for involving them in order to understand their concerns and aspirations; 4) for collaborating with them to identifying policy options; or 5) to empower them to make decisions. See *www.iap2.org/associations/4748/files/Spectrum.pdf*.

Notes

1. The life cycle framework was set out in the NESC report *The Development Welfare State* and adopted in *Towards 2016 Ten Year Framework Social Partnership Agreement 2006-2015*.
2. Humphreys (2002a), p. 5.
3. *Ibid*.
4. Department of the Taoiseach (2002).
5. OECD (2005c), p. 40.
6. National Social Partnership agreement (2006).
7. PA Consulting Group (2002).
8. Ipsos MORI (2006).
9. PA Consulting Group (2002).
10. *Ibid*.
11. Comptroller and Auditor General (2007).
12. *www.iccs-isac.org*.
13. Information Society Policy Unit (2002), pp. 1-2.
14. *http://unpan1.un.org/intradoc/groups/public/documents/UN/UNPAN028607.pdf*.
15. Economist Intelligence Unit (2007).
16. Cap Gemini (2007).
17. From *www.citizensinformation.ie* (accessed September 2007).
18. From *www.citizensinformation.ie* (accessed September 2007).
19. From *www.basis.ie* (accessed September 2007).
20. European eGovernment Awards 2005, Selected articles of 16 Finalists, European Commission Information Society and Media.
21. O'Donnell, O., R. Boyle and V. Timonen (2003).
22. *Ibid*.
23. Information Society Policy Unit (2002).
24. This is achieved mainly through implementing and monitoring the Department of Finance Circular 16/97, which deals with delegated sanction arrangements for ICT related expenditure in government departments and offices. International Council for Information Technology in Government Administration, Country Report 2007 Ireland.
25. Information Society Policy Unit (2002), p. 20.
26. PA Consulting Group (2002).
27. McDonagh, J. (2004).
28. Treasury Board of Canada (2006).
29. OECD (2007c), p. 7.
30. Information Society Commission (2003).
31. The Public Services Broker (PSB) is an integration framework and shared services platform designed to facilitate high volume, secure transactions with citizens, businesses and public sector agencies in Ireland. It is placed in the Reach Agency and fully operational since mid-2005.
32. *www.etenders.gov.ie*.
33. *www.procurement.ie*..
34. Boyle, R. (2004).
35. *Ibid*.
36. OECD (2007), *OECD e-Government Studies: Netherlands*, OECD, Paris.
37. McDonagh (2006),

38. OECD (2007b).
39. Overview of ICT Progress and Current Issues, Presentation from the Department of Agriculture.
40. 2007 German contribution to the European eGovernment Awards. See the link: *www.epractice.eu/cases/dvdv* (accessed 20 November 2007).
41. OECD (2007), *OECD e-Government Studies: Netherlands*, OECD, Paris.
42. International Council for Information Technology in Government Administration (2007).
43. Examples are key registers, e-authentication, etc.
44. OECD (2007), *OECD e-Government Studies: Netherlands*, OECD, Paris.
45. A service-oriented architecture (SOA) is a framework consisting of principles and standards for designing and developing computer systems so that each service provided by the system exists as a discrete module that can also be used by other systems. Such an architecture supports standard ways of processing, re-use of systems, interoperability, single sources of authoritative information and improved return on investment.
46. *http://workplace.gov.au/workplace/jobnetwork* and Booz, Allen, Hamilton (2005), "Beyond e-government: the world's most successful technology-enabled transformations", commissioned by the UK Presidency of the European Council and published in November 2005.
47. *http://gbo.overheid.nl*.
48. OECD (2007), *OECD e-Government Studies: Netherlands*.
49. Accenture (2005) and Booz Allen Hamilton Consultancy (2005).
50. OECD (2006b) and the Danish government's modernisation Website: *modernisering.dk/da/vision_strategi/den_digitale_taskforce* (accessed 18 November 2007).
51. OECD (2006b) and The Danish Government, Local Governments Denmark (LGDK) and Danish Regions (June 2007), The Danish E-government Strategy 2007-2010. *Towards digital service, increased efficiency and stronger collaboration*. (See the link: *http://modernisering.dk/fileadmin/user_upload/documents/Projekter/digitaliseringsstrategi/Danish_E-government_strategy_2007-2010.pdf*). The Danish Government's modernisation programme, see the link: *www.moderniseringsprogram.dk/visArtikel.asp?artikelId=5097* (Both links accessed 18 November 2007).
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53. OECD (2005c).
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55. Holzer, M. and K. Yang (2004).
56. OECD (2007h).
57. *Ibid*., p38.
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59. O'Reilly, E. (2006), "Serving the Public: has the Modernisation Agenda delivered?" Address by Emily O'Reilly, Ombudsman and Information Commissioner at Public Affairs Ireland Conference on Public Sector Modernisation, 25 May.
60. *Ibid*.
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ISBN 978-92-64-04325-1
OECD Public Management Reviews : Ireland
Towards an Integrated Public Service
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Chapter 7

Strengthening Governance

Introduction

In an increasingly globalised world, the stakes – as well as the complexity – of public management are ever increasing. The Public Service is subject to more pressures from the supranational level, as well as from civil society, businesses, and individual citizens. Internally, public services tend to become more complex over time as they grow and as constituent populations become more diverse and more sophisticated. Balancing competing concerns – between coherence and innovation, between efficiency and representation, and between flexibility and equality – requires debate over values and objectives, as well as careful reflection about the institutions, accountability structures, and formal and informal networks that best promote them. There is no one-size-fits-all solution. Each country must find its own equilibrium based on its values, laws and national consensus.

The 2002 PA Consulting report found in relation to the Civil Service that SMI/DBG "presented a programme of public management reform rather than 'whole-of-government' reform",[1] with emphasis on public management over the governance and policy making features of the Public Service. This OECD study initiated at end-2006 is being undertaken particularly with this holistic approach in mind. It looks at the Public Service as a whole, the information, funding, HR, performance, control and other systems which span the breadth and different levels of government.[2] While there is no one agreed-upon definition for public governance, for the purpose of this report, it is defined as the formal and informal arrangements that determine how public decisions are made and how public actions are carried out, from the perspective of maintaining a country's constitutional values as problems, actors and times change.

Investigating the implications of reform for governance is essential as governance touches at the heart of decision-making processes. In light of the increasing complexity of the challenges it faces, the Public Service needs to be configured so as to support and enable a common sense of purpose – from an overall vision down to specific operational objectives and actions. The question raised in the chapter on Capacity, however, is whether the Public Service has equipped itself with the skills, vision, and cross-governmental perspective that it needs to respond to the challenges of the 21st Century?

Furthermore, are governance structures that support both individual (and institutional) accountability and collective outcomes firmly in place? While they are not mutually exclusive in some countries, focusing on one has sometimes been to the detriment of the other. For example, by focusing attention on individual accountability for efficiency and effectiveness, the New Public Management agenda that has shaped the public management reform agendas of many OECD countries, including Ireland,[3] has resulted in many benefits over the past two decades. But it has also introduced a risk of fragmentation, as governments lifted central controls in return for agreements on performance. How can Ireland avoid this problem as it seeks to move towards a more performance-oriented system as described in the chapter on Performance?

Appropriate governance arrangements rarely happen independently. While institutions evolve and adapt over time, the faster the external environment changes, the more reflection is required on appropriate governance arrangements, how to achieve them, and their possible consequences. One such challenge (see chapter on a Citizen-centred approach) is that of making the Public Service more user-focused. Citizens want faster and better services organised around their needs and the Irish government has recognised this. Developing more "citizen-centric" structures and working methods, including a more open and transparent Public Service, is a particular governance challenge for many OECD countries, as it can conflict with traditional bureaucratic interests and incentives.

This chapter will address governance issues in the Irish Public Service from an integrated or whole-of-government perspective through the following steps:

- achievements to date to improve the coherence and responsiveness of the Public Service;
- how to activate networks to ensure that the different parts of the Public Service can contribute to solving complex societal issues; and
- putting incentives and accountability structures in place to achieve an integrated Public Service.

Improving coherence and responsiveness through an integrated Public Service

In a changing and more complex environment, policy challenges facing governments today require inputs from a variety of sources. It is rare that crucial issues can be dealt with from within one department or agency alone. Policy changes introduced, for example, to improve business opportunities or competition, may have unexpected impacts on the environment or sustainable development, on economic trade opportunities for smaller or medium sized enterprises, or directly on the consumer. Success may also hinge on enabling factors such as the creation of new kinds of lifelong learning opportunities that require the participation of other departments. Even within government, there may be a range of objectives that need to be advanced across social, environmental, economic or international sectors that cannot readily be reconciled, or may even be in direct conflict, with each other. In a more sophisticated, media-savvy environment, poor coherence in the formulation and implementation of policies becomes obvious, and can result in loss of confidence in the government of the day. Furthermore, it can challenge the positive working relationship between government and the Public Service.

Ireland recognised this in *Delivering Better Government* noting that "effective action necessitates new approaches to understanding, developing and managing the linked activities and processes that result in the desired outcome, whether the provision of services to the public or sound policy advice to Ministers and the government. These new approaches challenge traditional Departmental and functional boundaries".[4] The Public Service modernisation and reform agenda in Ireland has been underpinned by an emphasis for public servants to maintain a "whole-of-government" perspective, particularly in relation to the development of regulatory and policy proposals. This is largely in recognition of the interactive, cross-departmental nature of key policy issues, and the need to ensure greater coherence across the Public Service.

In order to find the most successful outcome to pressing issues, a network of departments, agencies and other bodies may need to work together. For example, addressing a crisis in the area of energy may require substantial input from those civil

servants who already work in the policy areas of gas, electricity, natural energy resources, etc. However, success in formulating a response also requires input from the broader Public Service, including those working on environmental climate change issues, education, consumer and regulatory affairs, private sector and business interests. The alignment of political intent, strategy and business planning and service delivery also needs to be supported in several ways (*i.e.* structurally, financially, culturally), both in terms of vertical, as well as horizontal, coherence. For example, effective arrangements within and across departments and wider Public Service bodies are important in order to avoid fragmented and badly delivered services.

Striving towards a more integrated Public Service allows the government to make better use of taxpayers' money, to increase the quality of performance and service delivery and to achieve government-wide outcomes. While this is recognised in Ireland, the strength of the Irish economy has meant that there are no strong financial incentives for developing a 'whole-of-government' perspective in practice. Initiatives to ensure value for money have tended to focus on improving efficiency within the traditional hierarchy of accountability, thereby strengthening the borders between government bodies, rather than pressing for more joined-up ways of working that not only transcend borders between government departments, but forge integrated networks of communication and coherence with other Public Service bodies and agencies.

Co-ordination mechanisms and strategies

Within most OECD governments, ministerial departments are structured along functional lines to broadly ensure that day-to-day policy decisions can be made within those structures without the need for extensive cross-departmental or cross-agency discussion. The Irish departmental structure is no different in this regard. There is scope for the Taoiseach to review and revise the functional responsibilities of Ministers and their departments, and such functional reviews tend to occur immediately following a general election, or as part of a mid-term cabinet reshuffle. These reviews can also take account of changed priorities on the part of government. As such, priority issues that have ongoing requirements to be handled within a department tend largely to remain unchanged (*e.g.* dossiers on Health, Education, Social and Family Affairs, Finance, Foreign Affairs, etc.), while other departments may find that some portfolio functions can alter or be transferred in light of changing priorities at the national or international level. For example, following the 2007 general election, the Department of Communications, Marine and Natural Resources was renamed the Department of Communications, Energy and Natural Resources. The changing emphasis in the title reflects increased prioritisation by government on energy, and the transfer of responsibility for maritime affairs to the Department of Transport, and of the Fisheries portfolio to the Department of Agriculture and Food.

In an increasingly complex and globalised world however, where policy issues increasingly have impacts beyond the remit of one ministry alone, a challenge in any OECD country is ensuring that appropriate mechanisms are put in place to facilitate and support cross-departmental working, so that the best possible evidence, information, and advice can be provided to the government. It is not feasible to continually reorganise Ministerial portfolios. *Delivering Better Government* acknowledged that the structures that existed in the mid-1990s within the Civil Service were not well placed to meet the changing need for greater co-operation. It noted that within each department, "… work is firmly focused on a

sectoral and functional basis; there are limited structures for consultation, co-ordination and co-operation and the current system rewards 'territorial protection' at the expense of active co-operation to achieve results." While some use had been made of cross-departmental structures such as a Tax Strategy Group, and a Task Force on Long Term Unemployment, DBG felt that these did not go far enough, indicating, "…it is essential to go beyond this to a situation where policy is implemented on the basis of teams drawn from different Departments and Agencies in pursuit of stated goals."

In order to address such structural limitations, DGB proposed that Cabinet sub-committees and cross-departmental teams should be established to focus on key areas of government policy. The cross-departmental teams would include members drawn from their departments "on a full or part-time basis" and that "suitable reward mechanisms" would be designed for such collaborative work. DBG also identified a number of issues as ones that would most likely benefit from targeted cross-departmental action: childcare, drugs, employment, competitiveness, unemployment and social exclusion, financial services and local development. The importance of crosscutting issues was reinforced under Section (12) of the *Public Service Management Act* (1997), which enabled Ministers to collaborate with each other on cross-departmental issues, and to assign responsibility to civil servants for such issues.

A range of structures have since been developed and/or expanded upon within the Irish system – both at the political and the administrative level – to provide for greater cross-departmental co-ordination in relation to policy development. In addition to the regular weekly meetings of the Cabinet, where major policy decisions are made by mutual agreement, a number of Cabinet Committees have been established to focus on overarching policy issues of most importance to the government. The list of current Cabinet Committees is set out in Table 7.1. With minor exceptions, all such meetings are attended and chaired by the Taoiseach and allow the relevant Ministers, and the Attorney General where required, to be brought together to focus more specifically on emerging issues and to strategically plan future policies and actions. The Committees to be formed are usually agreed following the formation of a new government (after a general election) and have the flexibility of being revised, amended and added to as required, as priorities and needs change, or in case of emergency/national crisis situations.

Table 7.1. **Cabinet Committees**
as of December 2007

European Affairs
Housing, Infrastructure and PPPs
Climate Change and Energy Security
Science Technology and Innovation
Social Inclusion, Children and Integration
Health
Cabinet-level Committee considering matters arising in the context of the analysis and recommendations of the *Report of the Linguistic Study on the Use of Irish in the Gaeltacht*.* (*Note:* this is not attended by the Taoiseach)

In support of each government Committee, inter-departmental sub-committees are formed at senior official level (usually attended at the Assistant Secretary-General level), and these may be chaired by a Minister of State. These groups may meet more frequently than the Cabinet Committee itself and may have a wider representative base than the

actual Cabinet Committee, for example, not all Ministers may be members of the Cabinet Committee on European Affairs, but all departments may have an input to the planning and co-ordination of policy advice that takes place at the senior official group level. These inter-departmental committees tend to be arranged and co-ordinated by the Centre, primarily by officials from the Department of the Taoiseach.

In addition to these cross- or inter-departmental groups that underpin the work of the Cabinet Committees, inter-departmental or cross-functional committees exist in a number of other priority areas. The modernisation and reform initiative set out by SMI and DBG for example, is progressed by the High Level Implementation Group of Secretaries-General, which is itself underpinned by sub-committees in the areas such as Quality Customer Service, Change Management and Regulatory Reform. Additional groups can be convened on a short-term basis to advance work in key areas.

The committees do not themselves have much direct power or decision-making ability but must formulate proposals for further action based on their analysis of the evidence collected. These proposals are then formally submitted to Cabinet for decision through a Memorandum for government. With some exceptions, Memoranda for government are circulated to all departments and the Office of the Attorney General for observations and comment prior to a Cabinet meeting.

The Centre makes extensive use of these co-ordination committees and also of sector "champions" to ensure coherence and integration in priority areas (*e.g.* child welfare, poverty, drugs, modernisation, and energy). A particular challenge for these inter-departmental committees whose membership is largely drawn from the Assistant Secretary-General level is that the numbers working in central policy sections across all departments tend to be quite small: as such, the same faces are seen at many such committees and groups. This can have advantages in that this relatively small cohort of senior officials gains greater clarity on cross-cutting issues, allowing for greater coherence and vision on policy development in key areas, particularly those of political significance. However, it also places significant pressures on a relatively small cohort of key policy staff across all departments, which can lead to "co-ordination fatigue."

It should also be noted that these committee structures largely apply only to the Civil Service and with some minor exceptions, the tendency is that they do not include representatives of Public Service bodies. This, in part, is due to the nature of these committees and the traditions from which they have come. They are mainly focused on strategic policy analysis and the provision of policy advice and proposals to government for decision, which is a matter wholly internal to the Civil Service. The wider Public Service is primarily focused on service delivery or the implementation of policy decisions and has not had a role to play in the development, formulation or observations on Memoranda for government.

However, while devising the right structure is important, structures alone do not guarantee successful co-ordination, or contribute to a truly coherent vision of what is needed and an integrated approach on how best to achieve it. While the committee structure may have assisted in facilitating more joined-up policy making or decision-making for the Civil Service, it does not, in and of itself, facilitate a broader whole-of-government, integrated Public-Service or citizen-centred perspective. These structures do not provide an opportunity to consult directly on which Public Service provider is actually best placed to deliver a service in the most effective and efficient manner, or how best the

service might be implemented by them. This can have consequences on the level of service that will finally be delivered to the public, who will ultimately hold the government and the broad Public Service accountable.

Relevant actors from across the Public Service seem to recognise the need for a more integrated approach by all. The Office of the Minister for Children (OMC) has championed an alternative approach to co-ordination that more closely aligns with the vision set out in DBG, whereby staff are brought together in one location from different departments to work in a more networked way on advancing issues of strategic national importance (Box 7.1).

Box 7.1. **The Office of the Minister for Children (OMC)**

The Office of the Minister for Children (OMC) represents an innovative model for ensuring greater coherence in policy making and service delivery from a whole-of-Public-Service viewpoint. It also supports implementation of a "life-cycle" approach as set out in the Social Partnership Agreement, *Towards 2016*.

The OMC is part of the Ministry for Health and Children, with offices from two other Ministries (Education and Science, and Justice, Equality and Law Reform) co-located in the same building. In essence, these units operate as part of the OMC but they continue to report to, and receive funding and resources from, their parent departments. The co-location of units that are working on child-centred issues allows people to work side-by-side, to share information and knowledge and provides greater coherence regarding both policy development *and* service delivery. The Director-General of the OMC also sits on the management advisory committees of the Ministries of Education and Science, and Justice, Equality and Law Reform when related child-centred issues are discussed.

To ensure greater political support, the Minister of State for Children sits at the Cabinet table (Two "junior" Ministers sit at Cabinet – the government Chief Whip and one other. Currently, it is the Minister of State for Children). This ensures that the OMC has access to, and can comment on, Memoranda for government and ensures that child-centred issues are taken into account.

Significantly, the OMC has pioneered an integrated network approach with relevant Public Service agents and service providers through the establishment in each county of Children Services Committees. These bring together relevant agencies, the City/County Development Boards, local authorities, social workers, the Gardaí, Health Service Executive, etc., with a focus on more strategic, joined-up-planning on how children's services will be organised and delivered at the local level. The rationale is that these groups are not doing any additional or new work, but are working in a different way, with more cognisance of the role and contribution of other providers. This ensures that more targeted actions can be effectively delivered, with events happening in logical sequence, rather than in separate disjointed ways. In bringing these networks together, the OMC also departed from the traditional culture of "seeking nominations" of attendees from the relevant parent organisation, but instead hand-picked those it believed would have the capacity and skill-set necessary to work in a different environment.

Policies that cut across the functional responsibility of a number of departments can lead to difficulties in determining who is the overarching "owner" accountable for the service provided. The work to date by the Office of the Minister for Children (OMC) has demonstrated that there is a value in ensuring that units, such as the Irish Youth Justice

Services, remain connected to their parent department (the Department of Justice, Equality and Law Reform). This ensures that they have ongoing interactions with, and input to the development of policies targeted at children, while also ensuring that accountability for the services they deliver remains within the remit of their Minister. This guarantees that historical mismatches between children's policy and youth justice policy can be addressed. The OMC has also illustrated the importance of following-up national policy documentation with strategic implementation plans and taking early action to develop appropriate structures to ensure that services can be effectively delivered at the local level.

While the OMC is a highly innovative model within the Irish system, it is one that may not be applicable in all policy/implementation areas, and by its nature, this type of solution cannot be overused lest it overburden the Cabinet process with cross-cutting issues. High-level support at both political and administrative level is essential to the success of such alternative approaches. During the course of OECD interviews, it was noted that strong leadership from within the OMC at Director-General level was supplemented by support from the Secretary-General level within the three key Departments and was also strongly supported at both senior political and administrative level by the Department of the Taoiseach. The success of the OMC model is intrinsically linked to this level of support and commitment. The recent establishment of the Office for Older People and the Office for Disability and Mental Health seeks to build on the OMC experience.

Role of the Centre in promoting coherence

As described in the chapter on the Irish Public Service, the Departments of the Taoiseach and Finance together comprise the Centre, and are the major force in identifying and championing initiatives, in particular, in the modernisation arena. The Centre is seen as a source for guidance and training. At the same time, however, it also represents input control which can lead to rigidity and decision-making bottlenecks. More insidiously, the central initiating function runs the danger of removing responsibility from departments, leading to a tendency for senior civil servants to turn to the Centre to solve (and take responsibility for) its problems. This only serves to further disempower civil servants while creating strains on the capacity of the Centre. The end result is that notwithstanding the significant efforts and activities by some departments and offices (*e.g.* Revenue, Social and Family Affairs), departments can fail to take the initiative even when given the opportunity, and managers in departments may not feel empowered to manage.

OECD interviews have affirmed the recognition – and acceptance – across the Public Service of the authority of the Centre (the Department of the Taoiseach and the Department of Finance) for strategy and agenda setting, as well as for responding to urgencies and/or national crises. The majority of cross-departmental co-ordinating structures are convened or managed by the Centre. The relatively small size of the Centre (approximately 199 staff in the Department of the Taoiseach – including political advisors – or approximately 0.534% of the Civil Service or 0.055% of the wider Public Service[6]), however, makes it almost impossible and undesirable for them to directly play a role in the minutiae of Public Service reform, while maintaining its strategic role. Indeed, while the Centre has strong influence on line departments, its ability to advance the modernisation agenda in the broader Public Service is much more limited.

OECD interviews have also revealed concerns about the disinvestment in analytical and steering capacity in the Centre, and in developing central support units within departments. This happens when posts are redeployed to deal with emergencies, and then

never replaced because the immediate results of planning are not visible. Over time this has a corrosive effect on the Centre's ability to anticipate needs, and to put frameworks and structures in place before they are required. It also impacts on the capacity of line departments to support the change process in an environment where front-line service delivery is a priority. The result is a negative circle in which lack of adequate planning and strategy creates the conditions for crisis, which, in turn, draws down further on planning capacity (see chapter on Capacity).

One possible response would be to expand the capacity and resources of the Centre in order to increase its oversight and control functions which would bridge the gaps between strategy/vision and delivery. For example, a Prime Minister's Delivery Unit has been established within the UK Cabinet Office in order to strengthen the capacity to deliver the government's key objectives to reform and modernise public services. Such an approach demands more resources and specialisation within the Centre.

An approach of bolstering the Centre alone, however, could have the effect of putting departments even more on the implementation side of the policy/implementation divide, when in fact, their *raison d'être*, and one of the main arguments for agencification, has been to focus on their policy and oversight functions. As noted earlier, the flip side of the success of the Centre in leading priorities is that it has drawn responsibility away from line departments, thereby disempowering and/or absolving civil servants in other departments of responsibility while simultaneously creating strains on the capacity of the Centre. This feeling of disempowerment then cascades out from the line departments to the relevant bodies and agencies under their aegis. In addition to reinforcing the Centre so that it is a centre of expertise and a resource to line departments, resources in the policy, planning and co-ordination sections of line departments should also be strengthened. The key determinant of the outcome of a strong central capacity, especially as regards Public Service reform, is the behaviour or attitude of those at the Centre in terms of collegiality and openness to shared governance approaches.

Coherence at the local level

Ensuring coherence and achieving the objective of an effective, results-oriented, citizen-centric, integrated Public Service is of particular importance when looking at the relationship between central and local government. This relationship tends to be shaped in Ireland by the extensive control of central over local governments. As discussed in the chapter on the Irish Public Service, much of local authority activity is conducted within defined statutory frameworks and many functions are performed according to legislative and departmental guidelines. A recent study found that three-quarters of the respondents coming from local authorities considered that the primary role of the local authority is direct implementation of policy, and local authorities have been characterised as having moderate policy autonomy.[8]

Local authorities are rarely involved in deliberations by central government although the joint Department of the Environment, Heritage and Local Government, and County and City Managers' Association Committees (introduced in 2002) on policy and service delivery across the main local authority functional responsibilities have provided opportunities in this regard. As indicated earlier, the rationale for restricting consultation on final policy decisions to central government can be justified given that the provision of policy advice to government is a matter wholly internal to the Civil Service. However, effective policies are those that when implemented best meet the needs of the end consumer, be it business or

civil society, and as such it is essential that those involved with the direct implementation of policy are involved in the deliberative process of negotiation, consultation and discussion that takes place prior to final decisions being made.

The strong centralisation of the Irish system has meant that, as in the case of other parts of the Public Service, local authorities are not "responsibilised", as national-level bodies conduct both policy making and most service delivery. From the perspective of local authorities, the incentive for such national-level bodies is to always demand more inputs and to increase services regardless of the implications that this has on costs or on the coherence of what is actually being provided at the local level. Instead, local authorities find that they are left to take on responsibility for co-ordinating, and planning the local level delivery of multiple services provided by these national level bodies. Local authorities themselves have no responsibility for nationally provided services and limited, if any, levers to direct how national service providers actually operate. This can quash local innovation by weakening the relationship between outcomes and inputs.

In many OECD countries, for example, the United States and Germany, it is state or local governments that tend to be the leaders in innovation and improving public sector performance, and the trend across OECD countries is for responsibilities to be devolved to local government in order to improve performance incentives and to bring government closer to citizens. This generally leads to a trade off between responsiveness to local preferences and economies of scale. There is room, however, for Ireland to be more responsive to local preferences without losing economies of scale-effects. Many different factors will also impact on this trade off, such as population density and the types of public services provided.

OECD research indicates that delegation of spending responsibility to sub-national governments helps to promote efficiency in service delivery.[9] In order to support "bottom-up innovation", systems need to not only reward performance, but also make sure that they do not stifle innovation by creating disincentives to take risks. Performance information should help to identify innovation and not just penalise failure. In this way it can support systemic improvements through "bench learning" among different actors across levels of government. Additional efficiencies can also be obtained by better rationalising co-ordination efforts. The case study on Managing Agencies demonstrates that the proliferation of local agencies with policy co-ordination responsibilities may be linked to the weak local government sector.

While the final decision on the appropriate level of devolution is a political one, Ireland faces two very real challenges if it wishes to proceed in this direction: 1) local government capacity and 2) local government revenue. Building up capacity (in terms of skills, experience and perspective) as well as a broader financial base should be part of any plan for local government to assume a greater share of responsibilities. However, there is scope to develop models of integrated service delivery giving greater coherence and efficiency through collaborative arrangements with other bodies under local government leadership. As demonstrated earlier in this chapter, responsiveness depends on the overall capacity of the Public Service and fragmented thinking tends to shift responsibility (as well as blame) without addressing the final, desired outcomes (see also discussion on local government financing in the chapter on the Irish Public Service).

As noted in the case study on Managing Agencies, the proliferation of agencies has led in some instances to duplication or overlaps in areas of responsibility, and in other cases, to parallel work taking place. The government established City/County Development

Boards (CDBs) in 2000 in an effort to forge closer partnership between the local authorities and local development bodies (such as the Area partnerships, Leader Groups, and County/City Enterprise Boards), and to address the challenge of increased integration of public and local service delivery. The membership of these 34 Boards (one for each of the county and city areas) includes representatives of local government, local development, Social Partners and relevant local state agencies. One of their main functions is to prepare the implementation of a 10-year strategy for the economic, social and cultural development of the County/City, and to then ensure that policies and operations of the bodies and interests represented on the Board and of others accord generally with the strategy.

An independent evaluation of the CDBs by Indecon Consulting has recently been completed and indicates that they do have a valuable role to play in providing joined-up services in local areas and in bringing together the relevant local stakeholders and in providing opportunities for collaborative projects to take place. However, there are indications that better use could be made of their potential. Contributors to the evaluation indicated that the effectiveness of CDBs could be strengthened by the establishment of national high-level groups, reflective of the composition of CDBs, with an oversight or co-ordination role. It also noted that, while extensive exchange of information has taken place at the local level, this has not resulted in commensurate action by relevant bodies or departments at the national level to better share resources or enhance the capacity of agencies. Also, in the absence of any rewards for inter-agency co-operation, there can be little incentive for participation in CDBs.

The government should carefully explore the challenges and opportunities of greater autonomy at local authority level, in order to build up an evidence base for future discussions on devolution, as well as to assist in identifying the current capacity of local authorities. For example, the case study on School Planning has demonstrated that there is a clear interest for local authorities to have a role in the selection and procurement of school sites. It would be useful, in the short-term, to strengthen the capacity of local authorities by establishing contractual relations with the Department of Education and Science for school site acquisition as pilot projects (similar to what is already being done in Fingal county). In this way, the Department would maintain its legal responsibility while allowing local authorities to experiment with solutions that best meet their area needs. When the government has been able to evaluate and draw lessons from such experiences, further consideration could then be given to devolution of school planning, or other national responsibilities to local authorities, in addition to the attendant changes in resource and oversight that would be required.

Any additional move towards increased devolution of responsibility will need to be accompanied by an improvement in performance indicators in order to ensure coherence across different local authorities, and equity of service effectiveness, quality and delivery. The Department of Environment, Heritage and Local Government should look at how its existing performance indicators, in conjunction to the performance indicators already in use by the local authorities, could be used to ensure service effectiveness should there be a future move towards more devolved local government.

While central provision of services has been justified with regard to equity in service provision (and indeed, the case study on Waste Management does demonstrate how inequities can appear when there is inadequate planning), the dependency of local governments on central government funding can mean that many national policies

become the object of local interest group lobbies, and that national political debates frequently focus on whether the interests of local communities are secured. Currently, annual budgetary allocations to local government are only to a small extent based on objective criteria such as population or tax base per capita. Rather than central control and implementation, the combination of cross-regional fiscal transfers and service standards should be used to more effectively assure the equitable treatment of citizens.

A networking approach to problem solving

As indicated previously, the whole-of-*government* perspective that underpins the modernisation agenda implies a whole-of-*Public-Service* perspective. The reality, however, is somewhat different. While some initiatives such as Regulatory Impact Assessment require greater consultation with all stakeholders, including those in the wider Public Service, the structures that exist at present within the Civil Service do not readily allow for consultation or collaboration with the wider Public Service on policy development or in identifying and progressing key strategic issues of national importance. The challenge of engendering such a whole-of-government/integrated Public Service perspective is further hampered by the lack of vertical coherence between government departments and the bodies under their aegis (see case study on Managing Agencies).

OECD interviews showed that a cohort of senior Public Service officials, particularly those in the Centre, are highly aware of the need for greater co-operation and collaboration between the Civil and wider Public Service. This does not mean, however, that additional co-ordination structures are needed: adding more co-ordination structures would increase co-ordination fatigue. The government should instead focus on how to best make existing structures and co-ordination tools work better, for example, through amending the remit of such committees to allow for greater participation by relevant Public Service bodies. The success of structures such as the OMC illustrates that alternative models to ensure greater collaboration between public servants that do not normally sit together at the same table can be used to ensure greater collaboration.

Given the breadth of cross-cutting initiatives and policies being developed and implemented, Ireland needs to explore new ways of getting the broader Public Service to work in an integrated way. As opposed to cross-departmental committees that tend to be restricted to civil servants, Ireland could instead examine how to foster networks that bring all relevant Public Service players together through a network approach to solve common sets of problems.

One department or office within the Public Service is unlikely to ever be in a position to control all of the necessary levers to ensure effective policy development and effective customer-centric implementation of an agreed policy. Using a network approach, however, focuses on and encourages both formal and informal contacts across the Public Service, building on traditional Irish ways of problem solving. Networks of relevant departments, external agencies, relevant local authorities, etc., would use their pooled knowledge of on-the-ground issues, to identify and anticipate policy issues and come together to develop a consensus position, strategy and tactics to address the problem, and an implementation and resourcing plan to achieve agreed-upon outcomes.

The concept of networks reinforces, rather than bypasses, the public policy cycle, *i.e.* ensuring that public outputs, in particular services delivered to citizens, are consistent with strategies that support the stated intentions of policy makers. It does require, however, a consensus on, and an alignment of, broad societal goals that can provide a

framework for implementation decisions. A networked system also does not imply a complete decentralisation of the Public Service. In fact, it unleashes the potential for increasing efficiency through the use of shared services and/or common platforms for service delivery. A network does imply, however, that departments should identify their core functions and competencies and then find more effective ways of delivering on non-core activities, be it through shared services, contracting out or privatisation.

Activating networks

A networked Public Service is made up of the many component bodies of the Public Service, but also stakeholders from outside of the Public Service, be they users, Social Partners or civil society organisations. Each group has a particular role to play. For example, as discussed in the case study on Managing Agencies, elsewhere in the OECD, agencies are seen as a source of innovation for service delivery and for relations with citizens. The key to achieving improvements in *organisational performance*, however, depends on a combination of increased managerial devolution, management capacity, and performance consensus and accountability. To date, this combination of ingredients has not been achieved in the agency sector. Unlocking the potential of agencies is a combined task for agencies themselves (to acquire needed skills), for the Centre (to ease input controls), and for departments (to structure a performance dialogue based on indicators). In doing so, they can unlock the *systemic performance* of the Public Service as a whole.

Activating cross-Public Service networks will depend on ensuring the right people with the right skill-sets are in the right place at the right time (capacity), that appropriate information and systems are in place to ensure services are effectively delivered (performance), and that focus is maintained on the needs of the end customer (customer focus) – issues discussed in the previous chapters. It also depends, however, on a coherence of vision by, and appropriate interaction of, institutional actors, both within and outside the Public Service. PA Consulting found that "the quality of governance in public administration will be improved if more effective mechanisms can be found to ensure that political intent (the articulation of policy priorities), and the subsequent implementation of derived actions (strategy and business planning) are more directly aligned".[10]

In particular, a key component of the governance structure is dependent on getting the relationship right between the wider Public Service, the core Civil Service and the Centre. This section will therefore look at the following elements:

- **The Role of the Public Service:** the relationship between the Centre, line departments, and the rest of the Public Service, including the alignment of performance objectives and managerial devolution necessary to enable networks.
- **Strategic Planning Capacity:** reinforcing strategic planning capacity throughout the Public Service in order to build and foster networks.

Role of departments

Nowhere is the strategic role of departments more important than in their relationship with agencies and other Public Service bodies. As set out in the case study on Managing Agencies, the performance dialogue between departments and agencies is currently missing in Ireland, and with it, the link between societal and government goals, as laid out in the Government Programme, national policy commitments and in departmental strategies (the policy-making role of departments), and the performance orientation of the Public Service (their oversight role).

Parent departments, however, have few tools – and oftentimes inadequate capacity – to manage agencies that sometimes have bigger staffs and budgets than they do. Due to the centralised system, they are also occupied with many operational issues, that could be delegated to other layers of the administration. In addition, there is a cultural element in terms of expectations where many departments seem to be in denial of their oversight role.

As the bodies responsible for sector policy, departments have a responsibility to ensure that the views of all the relevant Public Service bodies are considered, as well as those of outside stakeholders. Instead, as noted earlier, co-ordination has tended to be an activity that takes place primarily within the Civil Service. As conveners of stakeholders around a particular policy issue, departments are, in fact, responsible for identifying and fostering clusters of experts, resources and good practice that become a *resource* for responding to policy needs.

In a networked administration, co-ordination gives way to collaboration – rather than sharing information about what may oftentimes be duplicative responsibilities, departments need to manage their clusters so that the various partners are working in a complementary, rather than competitive fashion. The departmental role as policy maker and sector convener is key in this respect. In order to achieve this role, however, departments need to be given the authority to take initiative, instead of always looking to the Centre for guidance; this includes the ability and freedom to take more risks within an overall budgetary and accountability framework. They also need to take a stronger performance management role in relation to agencies. As accountability for service delivery lies with agencies, departments tend to focus on controlling resources and processes rather than on monitoring outcomes. There is an opportunity to rethink the agency system and take full advantage of this new organisational form while ensuring its sustainability. This will require increasing the managerial flexibilities of agencies under the strict conditions that departments improve their monitoring capacity, and that reporting on performance is made core to agency reporting.

In order to fulfil this role, there is an urgent need for a systematic evaluation of the strategic capacities of departments. Departments need to be guided on how they can move away from input and process controls towards better monitoring of performance. Monitoring requires that departments have the capacity to regularly reviewing the remit of agencies, their financial allocation, and their management rules and reporting requirements. To this end, departments would have to make a very significant effort in their capacity to better analyse the linkages between costs (including personnel) and the actual outputs and outcomes of agencies (see chapter on Performance).

Strategic role of the Centre

As noted earlier, the influence of the Centre, while acknowledged within the broader Public Service, is weak in daily practical terms. While it can control inputs and design new initiatives, the Centre has few tools to encourage more integrated approaches to working as accountability officers in government bodies are focused first and foremost on delivering on their own organisations' commitments, rather than on contributing to an amorphous whole-of-government vision. The monitoring of reform and modernisation initiatives has developed incrementally and become fragmented. The absence of dedicated staff within Public Service bodies, and across key sectors such as Education and Health, focused on internally driving and supporting modernisation and change, further diminishes the levers available to the Centre to influence or mandate change.

The Irish Public Service faces a dilemma: the Centre cannot do more to directly improve performance in other departments, offices and agencies without itself getting involved in implementation issues. This would stretch its own capacity and serve to further undermine the authority of line departments. The alternative is to re-examine the roles and functions of the Civil Service and determine how it can strengthen the authority of the Public Service as a whole by building and strengthening networks. Frameworks and mechanisms are needed to focus the broader Public Service on modernisation and performance improvement and to give it ownership of broader outcomes. In this way the Centre could free itself up to focus on strategic functions, including:

- a strategic overview of governmental policy activities, including an anticipatory look-out function aimed at detecting emerging issues;
- reducing the risk of policy conflicts by ensuring that all affected interests are involved at appropriate stages of policy developments;
- communicating policy decisions to all concerned players and implementation oversight;
- maintaining collaborative working relations with and among sectors of administration;
- applying effective regimes of performance management and policy evaluation; and
- ensuring that policies are both deliberated internally, and delivered publicly, in a coherent and consistent manner.

In particular, the Centre has a role to play in identifying and negotiating the broad societal goals that should inform and guide the activities of the rest of the network. This entails leading work on developing measures, putting performance management systems in place, and communicating outcomes back to stakeholders and the general public. As noted above, a network would not necessarily have to be convened by the Centre, though it could feasibly find itself as a member of one. Networks would allow for more integrated, targeted focus by relevant players on achieving prescribed outcomes. In order to be most effective, members of networks should ideally be given autonomy or authority to make and take decisions, rather than being required to revert back to their parent body for a decision.

Networks require the alignment of vision and objectives that, in turn, is based on an integrated approach to leadership (both within the Centre and more broadly in the Public Service), greater consistency across the strategic documents that lay out the intentions and blueprint for public action, and more effective communication across all levels of government on how to meet policy objectives and improve programme effectiveness.

The alignment of political intent, strategy and business planning and service delivery needs to be supported in several ways (*i.e.* structurally, financially, culturally) and reinforced in terms of vertical, as well as horizontal, coherence. For example, establishing effective arrangements between departments would ensure greater coherence of approach in order to avoid fragmented and badly delivered services and to meet citizens' expectations.

Achieving these changes, negotiating trade-offs, and communicating the results to the public, are all part of the strategic role of the Centre which must anticipate and create appropriate governance structures, while also providing policy advice and guidance, and initiating and driving change as both instigator and facilitator.

Role of Social Partnership

When managing performance, the Public Service should use, wherever possible, the mechanisms already set in place through Social Partnership. The national Social

Partnership process is already well integrated into many areas of the Public Service and it has the advantage of a past history of success in improving economic competitiveness and in defending the long-term interests of the Public Service. In order to remain relevant to the changing expectations of the public, however, it needs to shift away from process to outcomes so as to inject new flexibility into the Public Service. As noted by the Taoiseach in his speech to the Irish Congress of Trade Unions (2007): "The reality behind the competition we face is that it is driven by people who take their comfort from the promise of the new, and not from holding on to the past".[11] Moving forward to improve performance in the spirit of partnership can be achieved by starting with the following actions:

- moving towards an outcome focus in National Social Partnership agreements;
- aligning the Performance Verification process with actual performance achievements, in addition to advancing the modernisation and change agenda;
- using Partnership Committees (within departments, offices and agencies) as a forum for embedding and promoting cultural change and greater performance orientation; and
- prioritising formal consultation processes on the most important issues from a Partnership perspective.

The Public Service modernisation programme, as laid out in SMI, DBG and in national Social Partnership agreements, is useful for agreeing principles for a more integrated, cohesive, citizen-centric Public Service. The government, however, needs to have the freedom to strategise and experiment on how to achieve commonly agreed upon objectives. Future Social Partnership agreements could facilitate this by focusing on desired outcomes and top priorities for the Public Service as a whole. These should provide a basis for the development of measurable sector-by-sector objectives and indicators in the departmental Output Statements to which departments and other bodies should be held accountable. This would give Social Partnership agreements more strategic impact, and help to streamline some consultation processes by better integrating agreements with other performance target setting exercises. Social Partnership agreements could also be better aligned to the timing of multi-annual plans, to the extent possible, so that they can better take into account the high-level strategic objectives of government, such as the government programme and EU programme commitments.

The Performance Verification process builds on the Social Partnership agreements by allowing major sectors agree on the necessary steps for modernisation. Public Service pay increases, as set in the Social Partnership agreements, are subject to compliance with this process. This gives it great potential in influencing performance, as peer pressure within a division may be exerted to achieve the objectives laid out by the PVG process. In their current form, however, both the process and the reports that are made to the relevant Performance Verification Groups focus on compliance with processes, with an implicit but not demonstrated impact on Public Service performance. Clearer objectives in the Social Partnership agreements will facilitate moving towards a more performance-oriented approach.

The chapter on a Citizen-centred approach looked at the importance of consultation and participation in policy making, including through Social Partnership. Embedding an expectation of Social Partnership consultation in public servants involved in policy development has already occurred. The Hospital Reconfiguration case study, however, shows that there was no consultation with social partners in the development of the

proposal to reform health care services in the North East region (though the local Partnership network is being consulted on implementation issues). While there is an acknowledged risk that consultation could have built up resistance to the policy, it also could equally have strengthened the final policy as well as improved the understanding among both public servants and the public of why changes are necessary.

The concept and ethos of Social Partnership, however, has led to expectations among Social Partners that they will be consulted in advance of *all* significant policy decisions. There are different levels and degrees of consultation, however, and these should be matched to the level of significance of the issue at hand. The type of consultation used should continue to be weighed against other needs and considerations, including the urgency or significance of the issue. One possibility would be to agree on threshold criteria to determine consultation on an issue-by-issue basis and/or to set limits on the duration of consultation. In particular, a distinction should be made between consultation on national policy interests – which is generally useful and can be done in a relatively efficient manner – and consultation on local impacts – which, while also legitimate, can become very process- and time-intensive.

Strategic planning capacity

The networked approach outlined above requires strong leadership and support at both political and senior Civil Service levels, and a willingness of management to take risks and challenge traditional cultures. A question for Ireland going forward is whether the Public Service, and particularly the Civil Service, is willing to be less risk-averse in developing other alternative collaborative structures. How can one best identify those officials from across the Public Service who possess the requisite skill-set to provide the necessary leadership to make such alternative structures work?

The chapter on Capacity recommends the establishment of a Senior Public Service, with membership drawn from across the broad Public Service, as a way of strengthening and building capacity. A Senior Public Service would also provide opportunities for the further development and embedding of an integrated Public Service ethos throughout the Public Service.

A leadership with common values such as a Senior Public Service however, is only one strand of a new approach that would need to be undertaken to ensure greater coherence across the Public Service. Working in a networked fashion depends on the quality of strategic capacity throughout the system, and at all levels: 1) to provide leadership and guidance to the rest of the Public Service to reach desired outcomes; 2) to prioritise among competing needs and demands; 3) to provide quality policy advice to government; 4) to evaluate *ex ante* business cases for investment; 5) to set up frameworks that regulate markets and service delivery; and 6) to anticipate longer-term needs (beyond the lifetime of a government) and to make and communicate the tough decisions necessary to prepare for those needs.

PA Consulting's 2002 review found that "the debate around policy formation and strategy design is under-developed [and] needs to be strengthened. Our observations lead us to believe that there is greater scope for alignment between political intent, strategy development, business planning, and service delivery".[12]

Planning public sector reform is like a sliding number puzzle. The biggest challenge is not envisaging the final outcome, *i.e.* putting the numbers in sequential order, putting them in backwards order or any other pattern that one could desire. The real challenge,

rather, is to strategise the movement of the pieces in order to get to the final desired pattern: move one piece too soon, and even if it is where one finally wants it to be, it may end up blocking the movement of other pieces and therefore thwart the overall intended result.

One shouldn't take this metaphor too far: pieces in a puzzle do not need to be consulted, whereas the consultation and participation of the stakeholders of reform is crucial to its success. Also, when playing with a number puzzle, one does not have to worry about the capacity of each piece to make its move and to hold its position, whereas assessing and reinforcing capacity where needed is a prerequisite of good strategic planning. When seen from a comprehensive perspective, the image of a number puzzle can, nonetheless, be helpful in focusing on the critical aspects of public sector reform in terms of the planning and strategic challenges:

- **Vision and understanding:** Is there a clear and coherent agreement on the final desired position? Have opportunities for and constraints against taking action been adequately assessed? Have the implications – both intended and unintended – of reaching the final position been analysed and considered?
- **Planning and design:** Is there a capacity for pro-active, forward-looking thinking to anticipate and define policy problems and options, commission research/analyses and use the results for informed, evidence-based decision making? Have measures for success been identified, as well as interim points at which progress can be assessed, and have data sources been identified and built into the organisational design of the policy? Is there a capacity to think in terms of institutional and structural changes that can support an overall vision?
- **Communication:** Is there a plan on how to explain the vision and strategy to Social Partners and other stakeholder groups, and have arguments been marshalled to respond to their interests and concerns? Have allies been identified and have linkages been made in order to ensure the conditions for success?
- **Sequencing:** Have all potential actions and their alternatives been considered, as well as the implications that they have on the ability to take subsequent actions? Have the requirements for each action been assessed (*e.g.* in terms of capacity), and any necessary supplemental steps taken to meet preconditions?

Seen from this perspective, the boundary between strategy and implementation is both clearer and less tidy. The metaphor of a puzzle focuses almost exclusively on strategy (one doesn't worry about whether one's finger can move the pieces), and yet the initial decisions that one makes have an impact on the ability to implement, *i.e.* to move forward in a planned series of actions. By its definition, a strategy that is not brought to fruition is not an effective strategy. While it is perhaps easiest to lay the responsibility on those implementing the strategy, the strategist holds the greater responsibility for the final outcome.

Assessing the effectiveness of strategies – and of strategists – is not an easy task and certainly one cannot make generalisations across the Public Service. Reviewing the case studies presented in this report against the criteria presented above, however, can shed some light on areas where strategic capacity could be reinforced within the Irish Public Service.

Vision and understanding

The Hospital Reconfiguration and School Planning case studies both seem to start with a clear vision of what the Public Service would like to achieve:

- In the case of hospital reconfiguration, the vision is to improve the quality of acute hospital care in the North East by reducing the number of smaller acute hospitals with low levels of throughput and higher levels of clinical risk, in order to create one large regional acute hospital that can host centres of excellence with a sufficient throughput of medical cases on an annual basis. This will allow consultants to maintain and develop their skills and provide safe, efficient, quality care to the public.
- In the case of school planning, the vision is to meet rapidly growing demand for new schools in a context of fixed Civil Service capacity by devolving school facilities planning, and management responsibilities and accountability (though not decision making) to individual school boards.

In both cases, however, the visions focus on only one aspect of policy, rather than looking at how overall outcomes can be promoted for citizens. In the hospital reconfiguration case, the vision of one regional centre of excellence is hospital- or clinician-centric and while the aim is to provide a quality level of service to the public, it tends to pull attention away from the other related aspects of health care service delivery, such as the need for a commensurate increase in the nature, location, and level of primary and community health services available in the North East region. Co-ordination between primary, community and hospital care is vital to the success of the North East reforms (and both the Department and the HSE are well aware of this), yet the current structure of the HSE, and the governance arrangements in place between it and central government, actually weakens the level of co-ordination between these healthcare pillars. While the vision is designed to improve the results and the quality of the medical care provided to those receiving acute hospital-based care, it also has implications for the many others who are not receiving optimal basic health care through the whole of the system. Improved levels of service need to be available through organised, accessible and appropriately resourced primary care teams for those who do not need to access acute hospital care, or for those who may need post-operative or post-hospital care that can better be provided at the local level or in the home. Attainment of the overarching objective in the hospital reconfiguration reform requires co-ordinated action in a number of areas. It must be actively recognised as being part of a much broader vision organised around citizens' needs.

In the case of school planning, the vision also falls short in relation to the question of how overall capacity within national and local government can be most effectively employed to meet changing demographics and growing school infrastructure needs in the wake of limited departmental capacity caused by the Civil Service's effective hiring limit. By taking a fragmented view of the Public Service, *i.e.* the Civil Service as separate from the rest of the Public Service, current school planning policy has shifted the managerial responsibility for school planning onto local schools, but has not empowered them to make any real decisions. The idea that central government knows best and that everything else is simply "implementation" of national policy is reflected in this approach. Ireland's increasing demographic complexity, however, means that more on-the-ground knowledge about local community needs will be necessary, which will require greater local involvement in school planning. In this case, however, the vision reveals the limits of incremental thinking without re-examining fundamental divisions of responsibility in the light of on-the-ground realities of demographic change and school management.

The Waste Management and Managing Agencies case studies seem to be based on even less vision and demonstrate the consequences of a lack of initial vision, *i.e.* when a policy evolves primarily as a reaction to external events rather than as a deliberate strategy towards a chosen outcome. In the case of the Waste Management case study, looking to international experience would have revealed that outsourcing waste collection was the best way to manage competition and to ensure public goods such as universal waste collection and low income waivers. However, in the absence of clear policy guidance and direction, the majority of local authorities have taken the path of least resistance, which is to cede responsibility for waste collection directly to private service providers. In this scenario, no one is satisfied, inequities are created within and across the local government system, and the unregulated mix of public and private service delivery has created conflicts of interest for those local authorities still providing waste collection services.

In the case study on Managing Agencies, the proliferation of agencies does seem to have been dictated by a clear desire to build additional capacity, while separating the policy and implementation functions. Beyond that, however, other secondary objectives such as improving management and efficiency or increasing levels of representation were implicit rather than explicit, making it difficult to choose precisely the right agency structures to support those objectives. The result has been lack of accountability for agencies, a lack of coherence regarding the services being provided by multiple actors, accompanied by input controls that constrain innovation and experimentation.

Planning and design

The hospital reconfiguration policy was based on an external consultant report, *An Action Plan for Health Services in the North East*, which provided analysis on the optimal allocation of acute hospitals in the North East, as well as the supporting health services and structures that would be necessary. This report built on a number of other advisory reports that reached similar conclusions. As noted earlier, the vision behind the reform – to create one regional hospital that would provide a centre of medical excellence – is sound. It is unclear, however, what data was taken into account in examining future projections on the demographic composition of the North East region, so as to determine not only the number of hospitals required, but the potential catchment that such a hospital would have, and the implications the location of the regional hospital would have on other acute-hospitals in neighbouring regions. Similarly, it is unclear if sufficient planning was given to the number of available General Practitioners (GPs) in the North East region and the numbers coming through medical training schools, and to whether there was sufficient capacity in the system to provide increased levels of primary care. Better use of existing data could be made, in particular of Diagnosis-Related Group (DRG) data which is generated by each hospital for each patient, in determining existing patient behaviour regarding where they sought different treatments, and in predicting their behaviour given the proposed reforms.

The School Planning and Waste Management cases differ from the Managing Agencies case study in that while the first two seem to have been part of a policy shift that was a response to external constraints, the latter was a deliberate decision based on recommendations that date from the 1960s regarding the principle of separation of policy and implementation functions. School planning, on the other hand, was primarily a response by the Department of Education to its growing workload while, the Waste Management case reveals a failure to foresee, understand and prepare for the consequences of other reforms.

Such reforms include the introduction of user fees and the implications that variability across local authorities would have on equity of treatment; and the implementation of European Union directives and environmental standards, that have given rise to increased private sector competition.

With regards to policy planning, however, the School Planning and Waste Management cases do not seem to have been based on any type of formal cost/benefit analysis of options (excluding the decision process regarding waste management infrastructure). The regular reporting channels (*e.g.* Output Statements and Strategic Plans) for the education and local government sectors, however, can provide some performance data by which to judge the impact of these policies. On the other hand, as regards the creation of agencies, because there have been no clear formal analysis, because it is a cross-cutting issue, and because there have been no clear expectations as part of the initial vision, it is today quite difficult to make any judgement in terms of efficiency and/or effectiveness measures as to the impact of this policy.

Communication

Of the four case studies in this report, three were regularly making headlines during the period in 2007 when the OECD was conducting its research and interviews. The quality of hospital/health care services, the provision of schools and the location of waste disposal infrastructure have all been discussed on a daily basis in Ireland. While the need for a communications strategy may seem self-evident, it is more effective when it is proactive and linked to a cohesive vision, rather than reactive.

In the Hospital Reconfiguration case study, the vision has been repeatedly presented to the public as not being about cutting costs, but about ensuring that high quality standards of medical care are provided in centres of excellence, and that non-acute services are provided locally. In the longer-term, however, it is actually about containing costs by ensuring that services are provided by the appropriate providers and in the appropriate manner, *i.e.* better integrated provision of primary, community and long-term care will lessen the burden on more expensive acute hospital care. In this case, if properly implemented, there is no real trade-off: better care can be had for less expenditure. But by not directly addressing the medium-to-longer-term cost dimension of the reform, whereby necessary additional resources are made available to support the development of improved primary and community care in the North East region. The Public Service can fuel suspicion that, in the end, the reforms are really about cost cutting. While the vision is laudable, the inability to communicate the pro-active, longer-term stakes may serve to undermine reform efforts.

Also in the case of Hospital Reconfiguration, there is a danger that officials are too enamoured with the technical merits of the policy to be able to understand the arguments of those who are not in agreement. While many of the arguments from vocal objectors may be based on emotional attachments and run counter to the sound medical/technical arguments relating to acute hospital services, in a democratic system, they are nonetheless legitimate. The HSE seems to have belatedly understood this problem by bringing in more consultants in the North East to act as champions to explain and defend the policy of hospital reallocation, drawing on their legitimacy as defenders of patients' interests. The wisdom of this move will be further reinforced by future health care crises in the North East that, though unfortunate, help to demonstrate the need for centres of excellence. However, these arguments do not answer genuine concerns about the level of non-acute

health care that is currently available. Nor do they answer questions about the timeframe in which the promised improved primary care services will be made available.

In the Waste Management case study, the Public Service's biggest communication challenge seems to already have been met: that of convincing the general population that waste collection user fees are needed and fair. It now has to convince the public that waste-to-energy treatment facilities are also needed as part of Ireland's overall waste management policy and that due consideration has been given to where they, as well as other waste management infrastructure (*i.e.* landfills), should be placed. The communications challenge is to show that the interests of the nation as a whole are being taken into account. This is a challenge that is shared in the education sector, where the provision of school places in settled areas with large immigrant populations has emerged as a new problem. What started out as a fairly routine service delivery issue has now been overtaken by events that have raised the level of political sensitivity. This has become a communications challenge.

Unlike the other case studies, the Managing Agencies case study is a relatively arcane area that is not of much interest to the average citizen, but it does have major implications for public servants, and there is an important case to be made that improved communication with regard to the role and place of agencies within the Public Service is necessary. Institutional interests were underestimated once agencies were launched. That is, once created, agencies expand their remit. Today, however, there is also a risk of an over-simplistic view of agencies running in the opposite direction: all agencies should not be tagged as strictly self-interested, when, in fact, many will also have an interest to see that their sector performs better and is better managed. Going forward, a communications strategy aimed at both departments and agencies regarding performance and reporting expectations will need to accompany any changes to agency policy.

Without quality performance information, the Public Service is unable to respond adequately to media criticisms which are based on anecdotal evidence. There is a growing awareness that all types of Public Service stakeholders – politicians, public servants and Social Partners – have a responsibility to communicate to the public at large about the achievements of the Public Service and the improvements that have been made in individual sectors. In particular, Social Partnership should be used to tap into a reservoir of goodwill in the different sectors of Irish society in relation to the Public Service, and to reinforce messages about how the Public Service has, and can support continued economic growth and stability. Important steps have already been made in this direction with the National Centre for Partnership and Performance's (NCPP) public awareness campaign (using print and television ads) around the theme of openness to change, innovation, diversity and learning in both the public and private sectors. This was produced with the support of the Irish Congress of Trade Union (ICTU) and the Irish Business and Employers Confederation (IBEC).

Social Partners, in particular, are well placed to help communicate not only the benefits, but also the costs and the necessary trade-offs associated with reform. Explaining the benefits will help build support for modernisation efforts and help in the transition from an input- and process-control approach to an outcome-based Public Service culture. Rather than focusing on how to protect the status quo, explaining the costs and trade-offs of reform, whether in the economic or social arena in the area of Public Service modernisation, will help to foster more of a debate about core values and common objectives in the face of a changing social and economic environment.

As has been the case in France, one reaches the conclusion that, in Ireland, the more one talks about reform, the more resistance is generated to the proposed reforms. This may have been, in part, one of the reasons for an incremental *versus* a "big bang" strategy. Still others will complain, however, that all public authorities do in Ireland is talk about reform, rather than getting on with the implementation. There is a certain amount of truth to both points of view. Broadly speaking, communication has focused on the distributive impact of proposals, *i.e.* who wins and who loses, rather than on the case for reform and on the analysis that supports it. This is probably in response to the concerns expressed by citizens, the media, and elected officials. While responding to such concerns is one of the responsibilities of the Public Service, it also has a greater responsibility of communicating to the rest of the public the "big picture" case for reform. This is the strategic aspect of its communication responsibility.

Sequencing

All four case studies reveal failures in sequencing reforms. Strategy involves anticipating several moves in advance, and laying the groundwork for those moves to be a success. While policy developers may have considered all of the preconditions for reform and the necessary levers for success, their choice of tactics to implement their strategy show that they were not able to sufficiently act on such knowledge. One of the major barriers is structural rather than one of capacity: division of responsibilities and accountability often leads to an inability to act in a unified way to lay the foundations for successful reform. The Office of the Minister for Children, which brings together policy staff from the Departments of Health, Education and Justice, is, as noted earlier, an innovative approach to this conundrum.

In order to illustrate the importance of sequencing, the Hospital Reconfiguration case study makes a good example. This policy requires a number of preconditions for success:

- Quick wins are needed in order to recapture the trust of a public that has been marked by previous hospital closures and by health care scandals.
- Buy-in is needed from actors both within and outside of the hospital sector, in particular, hospital consultants, and GPs and other community health care workers.
- Supportive care structures are needed in order to demonstrate that capacity is, or will be, available once hospitals are reallocated, *e.g.* primary care teams, community care units and long-term nursing home/convalescent care.

To date, however, few of these initial preconditions have been established. In terms of service quality, health scandals continue to undermine trust in public hospital care, and accident and emergency (A&E) services – one of the most important proximity services – have yet to be reformed. In the second half of 2007, hospitals faced a spending embargo in order to keep within the 2007 budget. This means that the ability to improve hospital services was limited at a time when they were coming under criticism by the Health Information and Quality Authority (HIQA) for shortfalls in quality and cleanliness. In this case, short-term fiscal custodianship may actually reduce the long-term chances of reform success.

The levers for change management have also yet to be aligned in favour of reforms. The primary lever for influencing GPs (who are privately employed and are not public servants) is the negotiation of contracts they have with the HSE with respect to the payments they receive for treating public patients. But this does not take place until 2008, too late to build early support for hospital reconfiguration by incentivising their

involvement in the creation of primary care units as a front line of care for patients in the North East. In addition, incentives are not aligned with the treatment structure that the HSE would like people to follow, *i.e.* to depend less on acute care and more on community and long-term care. The out-of-pocket expense can still be greater to see a GP than to go to a hospital, and a plan for helping bear the cost of long-term care is only now being unveiled, two years after the announcement of the hospital reconfiguration reforms. Making these other changes is vital to the success of the policy, but by doing them all at once, rather than building on successive reforms, there is a danger that they will be unable to support each other in order to improve services and win over local inhabitants.

In the other case studies, the sequencing challenge is less stark, mostly because these sectors are slightly less complex than in the health sector. Nonetheless, these case studies highlight the importance of developing and ensuring capacity in the sequencing of reform in order to guarantee that those charged with implementing policy are well equipped to do so. School authorities and state agencies have experienced difficulties in handling the new responsibilities that have been passed on to them. There is also a need for departments to build up oversight capacity for new agencies. In the case of Waste Management, the difficulty has been not so much in developing capacity to implement reform but in the capacity of local authorities to respond to a changing environment. The Organisation Review Programme initiated by the Department of the Taoiseach, whereby individual Departments are reviewed, will be one tool for policy makers to determine whether and how such capacity development should be developed.

Reinforcing strategic capacity

As discussed earlier in the chapter on Capacity, strategic capacity, like other types of capacity, is best learned by doing. While training to develop strategic capacity will remain a necessary component, the most important skills of vision, understanding, sequencing, communication and feedback are best learned through contact with seasoned professionals, through trial and error, and through moving around in the Public Service in order to build networks and to gain the ability to see issues from multiple perspectives.

Strategic capacity takes time to develop, but it can also be fostered by identifying promising persons within the Public Service and giving him/her opportunities to hone his/her skills by working on challenging projects.

Understanding the interests of stakeholders and anticipating their responses depends on having contact with them, not just across a negotiation table, but also through working with them. This can involve secondments, exchanges, or simply the opportunity to take time off to gain experience elsewhere within, or even outside of the Public Service. It is not sufficient for these opportunities to exist; the diversity of resulting experiences must also be valued as an important input to the Public Service. This means defining competencies and hiring and promotion criteria that are not, in themselves, defined by following traditional Public Service career paths.

Finally, strategic capacity requires an understanding and experience in implementation as well as policy and planning responsibilities. This does not put into question the value of separating policy and implementation, but it does underline the need to build bridges so that policy makers have a deep understanding of implementation challenges and so that implementers are able to grasp policy objectives. A broader appreciation of the value of understanding implementation for developing effective strategy will, in the end, reinforce both functions.

Incentives and accountability for an integrated Public Service

As demonstrated in this chapter so far, working in a networked fashion will require public servants to think differently and to work in unfamiliar and sometimes uncomfortable ways which may seem risky and which may force them to rely on others. Yet, the Irish Public Service has consistently demonstrated its ability to pull together and act effectively in times of need in order to respond to national crises. This type of responsiveness is recognised by the general public. It builds on informal networks, encourages flexibility to get things done and to find efficient solutions and successful leadership, all of which are informed by a sense of common purpose. These qualities of the Irish Public Service need to be preserved. However, the system also needs to adjust to the changing environment: it needs to be strengthened so that such levels of effectiveness are not limited to times of crises but rather, are commonplace.

Decision making in Ireland is becoming increasingly formalised and rights-based. This is due, in part, to changes in the external environment, such as ongoing developments within the European Union and an increasingly diverse population across the country. In addition, internal changes within government, such as the proliferation of agencies and the increase in performance-based reforms, are altering the traditional managerial and accountability structures.

In this changing environment, accountability arrangements need to be broadened in order to ensure transparency, service quality, coherence and equity of treatment, as well as for outcomes that cross organisational mandates. In order to protect the best elements of the system, Ireland will need to find the right balance between the inherent flexibility of a small system and the increasingly formal checks and balances of a larger system. These changes have implications for general public expectations about government as well as how well politicians and public servants work together.

Clearer accountability frameworks

In line with public administrations around the world, existing accountability structures and practices tend to drive what can and cannot be done. A flexible networked system will depend on clear accountability frameworks. In Ireland, the accountability frameworks are still largely based on inputs and compliance. Agencies have not been given appropriate performance accountability frameworks and this has fuelled concerns about control (see Managing Agencies case study). If Ireland is to shift towards a more performance-based accountability system, traditional lines of accountability need reassessment.

Delivering Better Government (DBG) laid out clear accountability structures, but these are focused around the delivery of outputs. Ireland shares the common problem among OECD countries that a performance and outcome focus requires shared accountability and updating accountability structures. The government may need to revisit existing accountability arrangements in order to see how they can allow a greater focus on performance, more risk-taking and innovation, as well as additional joined-up thinking and action.

Roles and responsibilities need to be clarified in terms of the relationship between agencies, semi-State bodies and parent departments. In particular, the lines of accountability need to exist in which all key actors know to whom they are responsible and

for what. Politicians have a key role to play in setting clear objectives and in raising the political dialogue from one that concentrates on inputs to one that focuses on desired results and realistic measurable targets.

Documents establishing agencies should also set out more clearly the role and responsibilities of each actor. Agency status should be reviewed every five years to determine whether or not the services are still needed and if it is the most appropriate organisational structure for delivering the services. It is noted in the case study on Managing Agencies that the ability to implement such a change may require rethinking in staffing and capacity issues so as to allow for reallocation of such agency staff to other areas according to needs. Consideration should be given to how to produce more standardised mechanisms for developing performance indicators and monitoring and reporting on progress, and MIF should be used to provide better information on agencies' performance to departments and Ministers. Clearer procedures and information systems should be in place to ensure that politicians can get the information they need in to make decisions in a timely manner.

The Irish government has recognised the need to continue to develop reform drivers throughout the system. This is the right approach, but continues to be dependent on political will and drive. This can be put to the test in tough financial times or when the government is under fire. While the greatest driver, as discussed in the chapter on Performance, will be the culture of the Public Service itself, institutionalising some of the performance drivers will also help to depoliticise some of the performance discussions.

To strengthen the political/administrative interface, it is important that both politicians and senior civil servants have a clear understanding of each other's roles and responsibilities. These relationships are ultimately based on building trust, and cultivating values of integrity, openness and professionalism. It is helpful if the department has clearly defined objectives and if it holds regular meetings between Ministers and senior civil servants to provide opportunities to assess progress and for feedback and dialogue. It is also helpful if both parties are open to training opportunities, and if there are agreed codes of conduct.

In the Irish system, the Parliament also has a role to play in improving accountability. The use of the Joint and Select Committee system by the Oireachtas allows government and public officials to be accountable to the wider electorate. It is also a valuable way of examining key policy initiatives and regulatory developments, particularly the impacts that policy developments originating from the EU will have on Ireland. However, there is significant variability in the frequency of sitting days of such Committees, and therefore in their ability to provide this oversight role.

The modernisation programme does have "built-in" mechanisms to review programmes to ensure the Public Service is doing the right things in the right way, through, for example, internal Value for Money reviews and policy/programme evaluation, external independent reviews, and audits held by the C&AG. In each case, the relevant Oireachtas committee can seek to have the relevant minister and/or their officials attend to outline the findings from such evaluations *ex post*. An Oireachtas with a strengthened oversight role, however, will need to be careful to ensure that bi-partisan politics and "points-scoring" attempts do not overshadow real efforts to scrutinise the delivery and function of service delivery policies.

The Public Service has greatly strengthened feedback and accountability arrangements in relation to citizens, *e.g.* the creation of Ombudsman's Offices, but political intervention remains common. This is reinforced by citizens' reflex to turn to the political system whenever they experience difficulties in receiving public services. In Ireland, the nature of the electoral and party systems, and the incentive this generates for TDs, and the weakness and lack of autonomy of local government, can tend to focus the political debate on anecdotes and local issues. This creates a culture concentrating on attributing blame, which distracts from examining national government-wide issues, and finding evidence-based collective solutions and giving these solutions time to work.

While constituency services are an important part of any Parliamentarian's responsibilities, persistent use by external interests and citizens of political intervention undermines the Public Service's own ability to maintain quality services and to ensure equitable treatment of all citizens. While there is no evidence of inappropriate influence, this may raise equity issues about how the system can improve overall service delivery, and not just in individual cases. Political intervention can cut red tape, but the government should consider how lessons can be drawn from individual experiences to improve the overall system, as well as how it can move towards a greater systemic focus for improving the Public Service.

Performance-based accountability

In order for networks to function, they require a consensus on performance objectives. Contemporary public sector reforms can be described as shifting accountability away from traditional mechanisms, with an emphasis on following rules and regulations along hierarchical structures towards a new emphasis on discretion and responsiveness, as well as performance measured in terms of outputs and outcomes.[13] The main trends in control across OECD member countries are the move from *ex ante* to *ex post* control, and the development of stronger processes of internal control.

Performance-based accountability (PBA) concentrates on increasing the flexibility of managers by delegating decision-making power, reducing rules and regulations and removing layers of management. Governments in New Zealand, Australia, the United Kingdom and the United States have attempted to adopt a PBA model. The theory is that civil servants will use this new flexibility and discretion to improve performance. Politicians will use new accountability mechanisms, mainly performance agreements or contracts, so that agencies can be held accountable for achieving results. Hence, in theory, politicians maintain control by setting performance objectives and targets against which departments' and agencies' performance will be monitored and measured.

For governments, this model suggests a new balance between discretion and control. It asserts that greater managerial flexibility is a necessity for improving efficiency and effectiveness, and that this flexibility is compatible with improving bureaucratic responsiveness to politicians. It is a middle road in which politicians can have control and the public servants can have increased discretion. The challenge is to maintain control in systems that are more delegated, with more autonomous agencies and third-party providers.

In practice, there are competing and varied arguments about the impact of such reforms on the political/administrative interface. On the one hand, there are those that claim that changes in delivery of public services with greater delegation of authority, and the increase in managerial freedom, have reduced civil servants' responsiveness to

politicians. On the other hand, it is argued that politicians have used public administration reform to increase their control over the Public Service, while simultaneously moving responsibility for some areas and issues into the administrative arena in order to avoid accountability and taking responsibility when things go wrong.

Improving accountability in implementing policies

Public sector reforms have sought to increase the managerial flexibility and autonomy of public servants through greater delegation of responsibilities and reductions in overly prescriptive rules and regulations. Administrative reorganisation, agencification and changing recruitment and career patterns have had a profound effect on the relationship between politicians and administrators. Some commentators claim that it has undermined the village life model by creating conflict between bureaucrats and politicians and lessened the capacity of politicians to "control" civil servants.[14] Others argue that, in fact, it has improved politicians' ability to ensure that civil servants are responsive by providing them with more information and better mechanisms to exercise control.

Accountability mechanisms in Ireland have historically focused on inputs and processes rather than outcomes, decreasing overall flexibility. Attempts at adding flexibility have tended to either push up *e.g.* political intervention, or down, *e.g.* the creation of state agencies. While agencies have been a feature of the Irish Public Service since the foundation of the State, the development of effective and transparent mechanisms between the agencies and the parent department and politicians, so as to ensure accountability for performance and results achieved, have been lacking. There is no consistent government-wide framework for uniform reporting on results by agencies and the current system tends to concentrate on outputs as opposed to outcomes. Although the proliferation of agencies has occurred largely since the 1990s, such problems in relation to the dearth of accountability mechanisms were noted as early as the *Devlin Report* of 1966-1969:

"In the state-sponsored body area the citizen is noticeably worse off in his choice of remedies against the arbitrary action of officials than in the central government sector ... his remedy of the approach to the parliamentary representative is much less effective because of the convention that Ministers do not interfere in day-to-day activities".[15]

All countries that introduce agencies are facing the challenge of finding the right balance between accountability and autonomy, as well as strengthening the steering capacity of central ministries. In some countries, whole-of-government issues, such as how to ensure policy coherence and a coherent Public Service, or how to maintain the clarity of the administrative organisational system, have also become critical.

OECD countries' experiences point to diverging views of the impact of agencies on accountability of civil servants to politicians. Some claim agencies have facilitated accountability by clarifying the role and functions of officials and the organisations to which they belong.[16] For the most part, the increased accountability enhances ministerial control. Ministers' knowledge of what takes place in their departments and agencies has been improved significantly, and the use of new management techniques has enhanced Ministers' ability to enforce their decisions or discipline those who fail to perform adequately.[17]

Other commentators asserted that there would be a growth in the independence of agencies from Ministers. As they developed their own distinctive culture and expertise, agencies would become increasingly reluctant to accept central guidelines and

directions.[18] The experience of agencies in Germany and Sweden did not suggest a tendency over time for Ministers and departments to become weaker partners in their relationships with agencies.[19] Changes in the relationship between Ministers and agencies do not necessarily follow a single path in either the direction of more or less autonomy.[20] In Ireland however, there is increasing evidence that the creation of smaller agencies, largely separated from the ethos and culture of the parent department, encourages a loyalty to the unit and not to the department or even the government as a whole. Some fear this will result in a decreased responsiveness to political commands.

In the absence of clear accountability structures and oversight mechanisms, there is a very real concern that agencies can become vertical organisations that are narrow and too focused on their own ends. In the absence of a clear relationship with the parent department this fragmentation will decrease effective co-ordination and the informal networking that takes place between and *across* departments and agencies that work in common areas and deal with similar constituency or problems.[21] Significant concerns have already been expressed in Ireland about fragmentation, the increased independence and lack of accountability of agencies, and the weakness of parent departments in holding agencies to account for performance and results (see case study on Managing Agencies). Recent difficulties within even large body organisations such as the Health Service Executive (HSE) point to the impact of such disconnection between an agency and central government.

In Westminster systems, like the UK and Ireland, the introduction of agencies has also raised questions about the traditional doctrine of individual ministerial responsibility. This doctrine holds that "Ministers are responsible to Parliament for their own actions and those of their department, while civil servants bear no responsibility distinct from that of their Minister".[22] Ministerial responsibility is an ambiguous doctrine, which is subject to competing interpretation and there was an ongoing debate about the continued validity of this doctrine in practice, even before the introduction on agencies. While the *Public Service Management Act* (1997) did give additional responsibility and accountability to the Secretary-General of each department, it did not address the issue of accountability or responsibility in relation to agencies under the aegis of a department. Once an agency has been established, a department and the relevant minister cease to be accountable to the Dáil and no longer respond to Parliamentary Questions on the functions and activities of the agency, even if these functions and services were previously provided by the department itself.

In the UK, critics have argued that the rise in the number of agencies has eroded ministerial responsibility, blurred the lines of responsibility and weakened accountability to Parliament.[23] Their main arguments can be divided as follows: 1) the attempt to draw a distinction between responsibility which can be delegated to agency Chief Executives and accountability which cannot be delegated, is unworkable; 2) the key concept underpinning the creation of agencies, namely the ability to separate policy from operations, is fundamentally flawed because it is extremely difficult, if not impossible, to achieve in practice; and 3) there are great variations among agencies. The agency concept works for most agencies; however, there is a problem with politically sensitive agencies because politicians find it difficult to refrain from interfering in these agencies' operations.

Proposed solutions to these issues vary from calls for politically sensitive agencies to remain part of departments,[24] to recommendations that agencies become statutorily

independent bodies. The most widely advocated proposal is that agency Chief Executives should be directly accountable to parliamentary select committees. Some have suggested this only for high profile politically sensitive agencies, while others have recommended it for all agencies.[25] While a number of agencies in Ireland do have provisions which permit legislation to be made to allow the relevant Chief Executive to be called before a Committee of the Oireachtas, such as with the Health Services Executive, no facility exists whereby questions to Parliament could be answered. The question arises, however, as to the strength of the accountability mechanisms available to Oireachtas committees, such as the Public Accounts Committee or the Committee on Finance and Public Service: while they may elucidate information and make comments or recommendations regarding the actions of an agency, they cannot act to censure or amend the agency structure, management or its functionality. It is also unclear what level of accountability Ministers retain for sub-optimal work within the agency – should the Chief Executive be accountable to the executive board of the agency or to the Minister?

Impact of reforms on political/administrative interface

A well-functioning political/administrative interface is needed in order to fully develop and communicate the vision and strategies that drive the network. Within this interface, politicians and senior public servants have a distinctive set of responsibilities and accountabilities. The political level is responsible for identifying policy issues, designing strategies, setting targets and priorities, formulating responses, allocating resources, making judgements about outcomes and adjusting policies accordingly. Ultimately, they are accountable to the electorate and, on a day-to-day basis, to their elected peers in government. The administrative level of the Public Service provides information, advice, and mechanisms that will facilitate decision making and monitoring. They are also responsible for implementing the policies and managing the day-to-day operations of government. Top level public servants are accountable to their respective Ministers, and in some cases, may also be held accountable to parliamentary committees, while more junior staff are accountable to their senior managers.

In Ireland, the traditional relationship between politicians and civil servants is most similar to the village life type model.[26] According to this model, politicians and bureaucrats come from similar backgrounds; as such, they are jointly socialised, and have a co-operative relationship in which the politically neutral civil servant is seen as a partner. Ireland was, until very recently, a small rural economy with a culture of family and community-based mutual assistance. As a reflection of this, the Irish Public Service is built upon both formal and informal networks. Due to its relatively small size, people within the Civil Service, in particular, tend to know each other and information tends to circulate outside of traditional formal communication channels. Developments such as administrative relocation, however, are likely to change these traditional dynamics.

There are also a number of recent significant changes that have altered approaches and practices in giving policy advice and in implementing policies. These include: the need for additional checks and balances in order to ensure greater transparency; a more complex, sophisticated and demanding population; and the administrative reform programme that has been pursued since the mid-1990s.

Improving policy advice

Providing quality policy advice to Ministers is one of the major functions of the Civil Service. It is essential for Ministers that such advice is timely and neutral, that it considers all of the available options, takes account of the medium-to-long-term potential consequences of pursuing those options, and is based on quality information. In today's fast-paced world, political leaders need to know if the resources and activities entrusted to their care are being managed efficiently and effectively, are having the desired impact, and are providing high quality service – in short, is performance being improved? In order to make good decisions and to assure accountability, politicians need to have sufficient, credible, useful and timely information.

In this new, fast-moving and more fluid environment, providing timely, good quality advice and information on performance is a challenge for all public servants, but particularly for those civil servants who are dealing most closely with politicians. The Irish Civil Service is well aware of this challenge. The SMI and DBG set out a clear vision of a more responsive, efficient and effective Civil Service, and the Centre has been putting in place mechanisms for systematic review, cost/benefit analysis, *ex post* evaluation, risk management, and policy co-ordination in order to assist civil servants in meeting this vision (see chapter on Performance). The challenge going forward is renewing this focus, and ensuring greater cohesiveness across the broader Public Service. The use of alternative ways of working in an integrated manner, through for example the use of networks, will assist in this regard.

While political decision making is, and should remain, the realm of politicians, the evidence-base and policy advice supporting it should be made more transparent and robust. In order to strengthen evidence-based decision making, several tools should be strengthened.

The introduction of Regulatory Impact Analysis (RIA) in 2005 has helped to ensure that new legislation takes account of all evidence prior to the introduction of new regulations. It has promoted advance thinking as to how and when the regulation will be evaluated, as well as the kind of data and indicators that will be needed to assess the performance of the regulation. Legislative requirements for mid-term programme evaluation should be more frequently used as part of authorising legislation in order to ensure that programmes and bodies continue to meet their original objectives. There is no current requirement at present to conduct such rigorous impact assessments, however, on policies that do not require legislative change. In order to better ensure consistency of approaches and to ensure that alternative options to achieve overarching policy objectives are explored, the RIA methodology should be rolled-out and embedded among all public servants involved in policy development/formulation and policy evaluation. This would also help to establish *ex ante* criteria for programme evaluation

Greater use of independent *a priori* policy evaluations would lead, in the medium- to longer-term, to improved evidence-based advice being considered by Cabinet prior to decisions being made.

Tensions between neutrality and responsive to political masters

Public servants, while apolitical, are accountable to the public as much as to the political administration of the day. However, public servants also need to have the confidence to tell politicians, not just what they want to hear, but more importantly, what

they do not want to hear, but need to know. Traditionally it has been the role of the neutral civil servant to tell it as it is in order to preserve the public interest. OECD interviews have found, however, that there is increasing concern, within both the Civil Service and at the political level, over the willingness and capacity of public servants to play this role, as well as the willingness of politicians to listen.

In other systems, there have been apprehensions about the influence of the changing policy-making context and the NPM reforms on civil service neutrality, and their role in relation to policy advice and formulation. In the UK, the Conservative governments of Thatcher and Major, and more recently Blair's Labour governments, have all sought to increase their control over the bureaucracy through various mechanisms. Thatcher, for example, took a direct interest in the selection of Permanent Secretaries,[27] with those civil servants who were more agreeable to Conservative policies favoured for promotion. Under both the Conservative and the Labour governments there has been concern about the increase in the number of special political advisors appointed, and about politicians seeking advice from sources outside of the Civil Service.[28]

In Ireland, while there is no issue with politicians seeking to influence the appointment of senior civil or public servants (systems such as the Top Level Appointments Committee obviate such concerns), there have, however, been concerns about self-censorship in giving policy advice or advice not being sought on important issues. Historically, the Public Service has acted as a countervailing force to balance parochial pressures, but some observers feel that there is growing politicisation of policy advice, and a previously unseen unwillingness of senior civil servants to provide analysis that runs counter to political wishes.

In other cases, the policy analysis and advice of the Civil Service has not even been sought. For example the government's "decentralisation" programme (referred to elsewhere in this Review as the "administrative relocation" programme) was conceived at the political level and announced during the budget 2003 speech with no prior consultation of the Public Service (minimal discussion took place in the day preceding the announcement with top-level civil servants from the Centre). While administrative relocation programmes may offer opportunities to reconfigure the provision of services, improve performance, and devolve greater autonomy, the impact of this programme economically on the regions, on the medium-to-long term capacity of the Public Service, on its ability to meet its day-to-day obligations in light of significant turnover, and on the ability of the existing structures to ensure ongoing quality of service delivery, has never been formally evaluated.

As is true the world over, politicians are focused on delivering services to local constituencies. It is important for the appropriateness and efficiency of public services, however, that responsiveness to political concerns and to electoral timeframes do not crowd out longer-term interests. It is also important that quality evaluations and advice are seriously and integrated back into overall improvements to the system.

Tension between short term versus *long-term interests*

In a context of faster circulation of information, and greater stakeholder involvement in policy-making formulation through, for example, Social Partnership arrangements, there is an increasing pressure to speed up policy processes in order to find quick solutions to complex issues. Government is often obsessed by short-term and "reactive" attitudes; it

is affected by the pressure of public opinion and the media who demand quick solutions to problems. Building coherent responses to the new multi-stakeholder environment is therefore becoming crucial.

One of the greatest challenges for government is to balance short-term pressures and long-term objectives. Many areas of public policy, such as ageing, health, education, urban infrastructure, and the environment, can only be addressed adequately over the long term. Because of pressures to find quick solutions to problems, or quick-wins from a political perspective, policy processes have a tendency to neglect the longer-term. "Short-termism" results mainly from the imperatives of the political agenda and the electoral cycles.

Politicians can promote socially, economically and environmentally sustainable development by putting short-term goals in a longer-term perspective and in the context of budget realities. Policy analysis and advice can support this approach by emphasising the long term and by putting frameworks in place to help provide a long-term perspective. The government should consider how long-term budget projections produced by the Department of Finance (DoF) could help support greater dialogue, and greater acceptance among politicians, public servants, Social Partners, and civil society of the long-term social and economic challenges faced by Ireland, and possible policy responses.

Conclusion

In conclusion, the Public Service – and the Civil Service in particular – has been able to meet its responsibilities to the general public to date, primarily by relying on a strong Public Service culture and strong leadership. However, the demands of an ever-more affluent society, more complicated social and economic problems, and a larger, more complex Public Service, mean that it is no longer sufficient to count on a few good men and women to put things right. One of the main challenges for Ireland is maintaining the *responsiveness* of a small system, while gradually developing the standards, accountability mechanisms and governance structures of a larger system.

Part of the key will be learning to work in networks that come together, as needed, around clusters of sector issues or target populations based on geography or common characteristics. This will depend on aligning objectives around broad societal goals, aligning accountability structures and putting the right incentives in place. Most importantly, it is not about changing structures and systems, but is primarily about getting people to think and work outside of institutional boundaries and putting in place the right accountability arrangements. Additional efforts are needed to build up strategic capacity and Public Service values through greater mobility and career development and by selecting and promoting not only those who have the ability to perform and lead, but those with the vision and capacity to be strategic leaders, innovators and risk-takers.

Box 7.2. **Key recommendations**

Prioritise the reform programme throughout the Public Service

Clarify the role of the Centre in relation to modernisation and reform: The Department of Taoiseach and the Department of Finance play very distinct and complementary roles in relation to the reform and modernisation agenda, but these are not necessarily clear to staff in other departments, or to the wider Public Service. Management and general staff need greater awareness about these roles and the interplay between the QCS, performance, HRM, regulatory reform and e-government elements of modernisation.

Increase emphasis on leadership and communication of the reform programme: Substantial resources need to be afforded to strengthening the leadership and communication role provided by the Centre so as to ensure that all sectors of the wider Public Service can be appropriately supported in their own internal implementation of the reform and modernisation process. Corresponding resources also need to be allocated within departments and Public Service bodies, so that the reform and modernisation agenda can be built up and embedded at the local level. As demonstrated by the case study on Hospital Reconfiguration, there can be overlaps between Public Service modernisation and change, and reforms introduced as a result of policy decisions. Where such reforms and changes have a significant impact on external stakeholders, additional efforts need to be made to ensure that the impact, intent, and timeframe for such reforms are clear and accessible.

Improve focus on the sequencing of and interplay between reforms: Reforms change processes are rarely independent and the way in which they are sequenced and rolled out can have a significant impact on their effectiveness and on how they are perceived by stakeholders.

Improve Public Service responsiveness

Clarify the role of the departments and agencies: The dramatic proliferation of agencies has decreased overall accountability, especially in terms of the relationships with semi-State bodies and parent departments. Roles and responsibilities need to be better clarified. In particular, clearer lines of accountability are needed in which all key actors know to whom they are responsible and for what. Politicians have a key role to play in setting clear objectives and in raising the political dialogue from one that concentrates on inputs, to one that focuses on desired results and realistic measurable targets. With regard to the health sector, in particular, greater clarity needs to be provided about the implementation role and responsibility of the HSE, which needs to be in line with the policy direction set by government and the Minister for Health and Children.

Reinforce the Co-ordination on Role of County/City Development Boards (CDBs): Weaknesses in the local government system can be related by the number of local co-ordination agencies which has led to the duplication of roles. A review and rationalisation of duplicate functions, accompanied by a reinforced role for CDBs, would be more sustainable in the long run.

Experiment with devolving authority to local government: The Public Service could usefully explore the challenges and opportunities of greater devolution in order to build up an evidence base for future discussion on devolution, as well as to identify the capacity needs of local authorities. This could be supported by piloting increased mobility between local authorities and the Civil Service so as to allow for greater development of competencies and skills. Only when the government has been able to evaluate and draw lessons from the experiences of pilot projects should further consideration be given to the possibility of devolution of specific responsibilities. Changes in resource and oversights should also be taken into account.

Create a more integrated approach to working through the use of networks: Ireland should explore the use of networks of relevant departments, agencies and other Public Service bodies, to provide for a more coherent integrated approach to cross-cutting priorities. The experiences of the Office of the Minister for Children (OMC – see Box 7.1) should be used to further develop a systematic approach to Networking throughout the Public Service.

Box 7.2. **Key recommendations** *(cont.)*

Review the government agencification framework (see also the case study on Managing Agencies)

The establishment of an overall governance framework for agencies will require that the government *rethink the organisational form of service delivery as a whole,* deciding what functions in principle should remain in central departments, what functions should be devolved to local authorities, and what functions should be carried out at arm's length from the Civil Service.

Match governance structure with agency objectives: When establishing an agency, the government should chose a governance structure that resonates with the one employed by the relevant parent department. Many Irish agencies are working in areas that are consistent, have few products, and have relatively easily identifiable performance objectives and measurement criteria. The governance structure of a "departmental agency" – with large managerial autonomy, but little policy independence and clear hierarchical relationships to line departments (Box 7.2) – fits better these types of agencies.

Establish clear guidelines and criteria for agency creation: Devise a clear rationale for establishing new agencies and for operating existing ones. The new agency rationale should prohibit the creation of agencies solely for increasing resources and personnel allocated to a specific policy priority. If a capacity need is identified in a sector, a review of the relevant departmental mandate should be carried out first. The decision to create an agency should only be made following an assessment of personnel and capacity needs, and of the best type of governance structure needed to conduct government policy in this area.

In order to reduce mission creep, *rebalance the autonomy of agencies between policy and managerial autonomy in favour of more managerial autonomy*. This will require reviewing the need for a participative board structure, and increasing the capacity of both agencies and central departments in order to manage the complex agency system.

Strengthen government decision-making capacity on strategic priorities: The poor agency governance system reflects, in part, the need to reallocate resources within the Civil Service to priority policy areas, oftentimes to the detriment of oversight and reform capacity. Improved planning for long-term strategic priorities can help the Public Service anticipate and make linkages between the need for increased frontline service delivery and accompanying management and oversight.

Refocus on whole-of-government objectives

Increase delegation in order to reduce the need for central co-ordination: The Centre should play a strategic rather than micro-management role and avoid "co-ordination fatigue". The government should revisit existing accountability arrangements in order to see how they can allow a greater focus on performance, more risk-taking and innovation, as well as additional unified thinking and action.

Improve focus on long term policy needs: Policy analysis and advice can be used to promote socially, economically and environmentally sustainable development by emphasising the long term and by putting frameworks in place to help provide a long-term perspective. Greater public awareness of and attention to long-term budget projections produced by the Department of Finance (DoF) would prompt greater dialogue among politicians, public servants, Social Partners and civil society on the subject of long term social and economic challenges faced by Ireland, and the possible policy responses. The Government should place greater emphasis on these projections annually and discuss their policy implications.

Make greater use of policy evaluations: Greater use of independent *a priori* policy evaluations, such as those set out in the Regulatory Impact Analysis (RIA) or Poverty Impact Analysis (PIA) models, is needed to better inform Cabinet decision making.

Notes

1. PA Consulting Group (2002), p. 5.
2. The PA Consulting report defines "governance" as "the manner in which parliament exercises its oversight responsibilities in relation to the conduct of public business and the provision of public services", PA Consulting Group (2002), p. 5.
3. The PA Consulting report notes that "The emergence of the 'New Public Management' with its emphasis on managerialism and efficiency, influenced thinking considerably, and through their contacts with OECD counterparts, senior Irish civil servants gained first hand insights to the progress of public management reforms elsewhere." PA Consulting Group (2002), p. 16.
4. Department of Taoiseach (1996), p. 17.
5. *Ibid.,* p. 17.
6. Based on staff numbers as of February 2007, per the 2006 Annual Report.
7. Based on staff numbers as of February 2007, per the 2006 Annual Report.
8. MacCartaigh, M. (2007).
9. Curristine, T., Z. Lonti and I. Joumard (2007).
10. PA Consulting Group (2002), p. 10.
11. Address by the Taoiseach, Mr. Bertie Ahern, T.D., at the ICTU Biennial Delegate Conference, in the Great Northern Hotel, Bundoran, on Wednesday, 4 July, 2007.
12. PA Consulting Group (2002), p. 30.
13. Romzek, B. (2000), p. 39.
14. Peters, B.G. (1989).
15. Devlin, L. *et al.* (1969), p. 45, paragraph 5.2.38.
16. Massey, A. (1995), p. 35.
17. *Ibid*., p. 36.
18. Rhodes, R. (1996), p. 662.
19. Page, E. and N. Elder (1999), p. 124.
20. *Ibid*.
21. Woodhouse, D. (1994), p. 293.
22. Turpin, C. (1994), p. 109.
23. O'Toole, B. and R. Chapman (1995); Barberis (1998); Barker (1998); Foster, C. and F. Plowden (1996); Campbell, C. and G. Wilson (1995); Woodhouse, D. (1994); Lewis, D. and D. Longley (1997).
24. House of Commons: Public Service Committee (1996), Vol. I, paragraph. 117.
25. Barker (1998); Barberis (1998); Woodhouse, D. (1997).
26. Peters, B.G (1989), and Aberback *et al*. (1981).
27. See Campbell, C. and G. Wilson (1995), for a discussion of Civil Service politicisation under Thatcher.
28. Dunn, D. (1997), p. 34. Also see Goodsell, C.T. (1994) who argued that negative stereotyping of bureaucrats in the media would lead people to dismiss their own positive experiences as unrepresentative and support the popular negative image.

ISBN 978-92-64-04325-1
OECD Public Management Reviews : Ireland
Towards an Integrated Public Service
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Case Study 1

Reconfiguration of Hospital Services in the Health Sector

Preamble

It should be noted at the outset that this case study is examined in a time of significant transition for the Irish health care system. The Health Service Executive (HSE) came into existence on 1 January 2005, merging eleven organisations and a number of specialist agencies into one. Furthermore, compared to other European countries, Ireland is not only facing the challenges of developed countries – ageing, chronic diseases, demand for more and better care, etc. – but also has a rapidly growing, relatively young, population (increasing by some 8% in the past four years).

It should also be noted at the outset that this case study is primarily focused on one particular element of the reform programme underway in the health sector in Ireland, specifically, the reconfiguration of hospital and related primary health services in the North East region. While reference is made to other related issues, such as governance arrangements, it cannot, and does not, purport to be a full analysis or review of wider issues relating to health service delivery in Ireland. As such, this should not be construed as a commentary or a review by the OECD on health service provision generally in Ireland.

Introduction

Health care is one of the most important priorities for many users of Irish public services, but given a dispersed and mobile population, it is important that services such as acute hospitals are distributed so as to maximise efficiency and effectiveness. In the North East of Ireland, with a combined population of some 400 000, four counties are served by five separate acute hospitals. Due to fragmentation of services across the regions – largely for historical reasons – these hospitals cannot provide all the surgical procedures required by their client base. Some surgical procedures are provided so infrequently by individual hospitals that, from a clinical perspective, they are unsafe for patients: it is preferable that a consultant sees a threshold number of cases per annum.

In order to meet the government's overarching objective of providing safe, high-quality services that achieve the best possible outcomes for patients, a pilot reform programme is underway in the North East to reform and reconfigure acute care hospital services. The services currently provided by the five existing acute hospitals will be transferred into one new "regional" hospital, the proposed location of which has yet to be announced. The estimated completion date for this process is 2015. In the interim, work is underway to transfer acute services into two of the current hospitals, with view to completion by 2009. The success of this reform project also depends on the commensurate provision of improved health services at both the community and the primary level (through general practitioners (GPs), physiotherapists, social workers, etc.), to cater for those who do not necessarily require acute services. The absence of appropriate step-down, community or convalescent care elsewhere in the system, can otherwise "block" beds and services in acute care hospitals as patients lack appropriate alternative or follow-up care options. This project is an element of a larger reform of the Irish health care system. The North East case

is considered as a reference for the method as well as the nature of reconfiguration of hospital services in the broader context of a health reform.

The combined impetus of the reforms is to ensure that citizens are treated at the appropriate level – local where possible, acute when necessary and needed. Essentially, the more complex services that require specialist input – such as maternity services, accident and emergency services, cancer care and certain surgical procedures – will be concentrated in the new regional hospital, or, such as with cancer, in other national centres of excellence.

The reform programme does not envisage the total closure of the five current acute hospitals – Monaghan, Cavan, Navan, Dundalk and Our Lady's in Drogheda. Instead, it is proposed that they will remain *in situ* but that their status will change, as will the nature of the services they provide. They will focus more on providing minor injuries units and minor day surgeries, with surgeons/consultants based in the new regional hospital travelling out to these reconfigured treatment hospitals on certain prescribed days. Certain services – such as accident and emergency, surgical procedures and maternity – have already been severely curtailed or withdrawn entirely from some of the hospitals. Work has already started on developing capacity within, and transferring services to the two hospitals due to take on the bulk of the acute care.

The reconfiguration reform project is not a resource issue. Even with unlimited resources, it would not be safe for patients to have specialist services provided in hospitals that lack the necessary critical mass of activity and patient throughput. A key challenge within the reform programme is communicating this prerogative to a population that has high expectations of service delivery, but feels that the government is just trying to save money by closing hospitals; they do not trust the government to provide the relevant services at primary care level in the short-to-medium term. Faith in the government and in the Health Service Executive to provide an appropriate level of service and to deliver on reforms has been exacerbated by a number of health care scandals nationwide, including in the North East region.

Policy goals

As previously indicated, it is the government's objective to provide safe, high-quality services that achieve the best possible outcome for patients. Key to achieving this objective is having the capacity to treat patients as soon as possible, as efficiently as possible by the appropriate mix of specialists and in the appropriate location. In some instances the best treatment option for a patient might be at the primary level with their GP or through a primary care team (which could include an occupational therapist, physiotherapist and/or psychologist). In other instances, convalescent, or step-down care in a non-acute setting, *e.g.* a nursing home, may be more appropriate. Acute hospital services should only be sought and provided where necessary.

The reform project identified for the North East involves challenging the commonly-held cultural perception that it is better to go to hospital rather than receive care through the primary care system. In so doing, it also seeks to divert "non-necessary patients" out of acute care hospitals and into primary care. The current reconfiguration and reform project arose on the basis of the 2006 publication of a Report for the Health Service Executive (HSE) by Teamwork Management Consultants.[1] This set out a plan of action for achieving by 2015 the best possible acute care for patients in the North East, based on international evidence and best practice. The key recommendations of the Teamwork report were the transfer of

as much acute care as possible to local hospitals and centres, to minimise the need for patients to travel for treatment; the establishment of a new regional hospital to deal with more complex acute illness and injury; and the development of formal clinical networks so that the local and regional elements of healthcare would operate as one service. In examining the likely catchment population for the new regional hospital, it was guided by a projected regional population for the North East of 432 241 by 2015, and experiences in Canada, Australia, the UK and New Zealand indicating that a minimum catchment range for a regional hospital is between 300 000 and 500 000.

The population in the North East has changed significantly over the past decade. The area is widely recognised as being part of the greater Dublin hinterland. The population is now in the region of 400 000 and it is expected to grow further in the coming decade through both increased birth rates and additional inward migration. In some areas, the population is such that the services available from the existing local acute hospitals are not necessarily meeting, or capable of meeting needs: there has been a growth in the number of younger people along the North-Eastern seaboard, which means greater need, for example, of maternity services, while the population in other more rural areas has aged. In many instances the level of throughput of patients to the current acute hospitals is not sufficient to be considered clinically safe or viable.

Context

There are several different contexts to be considered in examining this case study. These relate not only to the hospitals in the North East area itself, but to the historical context of health and social services delivery in Ireland, the changing needs and priorities of the population, and changes in medicine and medical practice generally due to international developments in research and technology.

Scientific and technological context: providing an ever-growing and ever more complex set of specialties and services to a dispersed population

Ireland is not alone in seeking to reconfigure acute hospital services. A key reason internationally for hospital transformation and the reconfiguration of where and how services are provided arises from developments in medical science and technology.

Over 25 000 new articles are published every month in medical journals, which are referenced on "MEDLINE".[2] The significant and growing number of biological tests, imaging techniques, surgical procedures and drugs are such that they cannot be mastered by just one person. As a result, medical care is becoming more specialised. This specialisation not only occurs among doctors or consultants, but also within the wider medical profession (*e.g.* nurses, paramedical staff, etc.). Increasingly, medical schools do not produce significant numbers of "general" surgeons, but instead produce specialist surgeons such as urologists, neurosurgeons, cardiac surgeons, and orthopaedists. Even within some specialties such as "cardiology", there are already significant numbers of subspecialties.

The exponential growth of knowledge also raises other questions which are relevant to this case study. As medical expertise and treatment options become more specialised, the care given to a patient has to be co-ordinated in a more team-based approach, where teams of different medical staff with different skill-mixes – consultants/surgeons, nurses, anaesthetists – work together. From both a clinical and an efficiency perspective, co-ordination must go hand-in-hand with increased specialisation.

It is estimated that in regional hospitals there are around 100 *de facto* disciplines. Assuming that morbidity remains the same, the population needed to justify the presence of several teams of specialised surgeons must increase when it is compared to the population necessary to justify only one team of general surgeons. Specialisation implies a larger demographic base and is the reason why medical teams – and by association, hospitals – have to merge all over the world.

Financial and health employment context: health expenditures influenced by the state of the economy and by international labour markets

Financing and expenditure

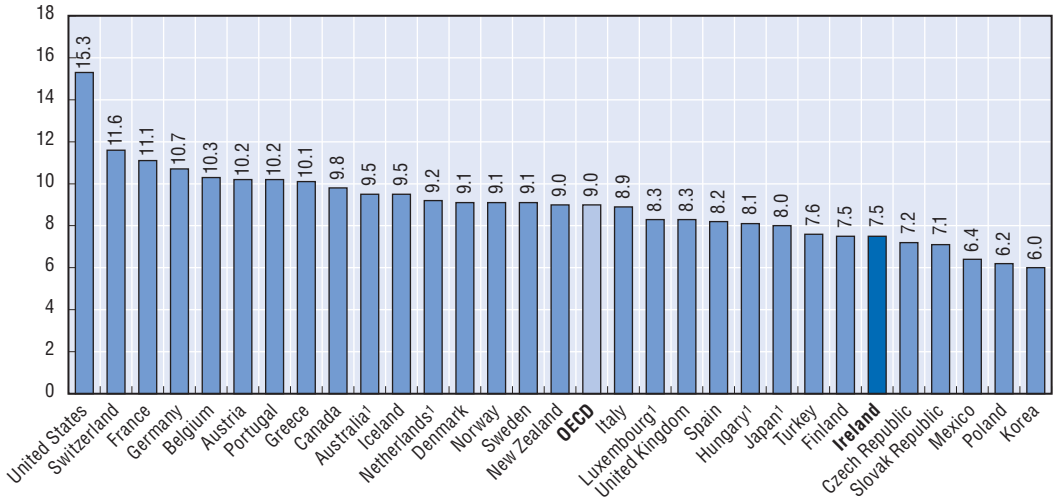
The Irish health care system is financed by taxes (*i.e.* general taxation and a pay-related levy for health and social insurance), as well as direct and indirect payments made by the population when accessing services. Some 52% of the population have private health insurance (there are three providers of such insurance in Ireland), and such payments are partly subsidised through tax relief. Citizens who are wholly reliant on social welfare payments, or whose income lies below a certain threshold, and all citizens over 70 years of age, are eligible for a medical card that entitles them to free medical services at the point of delivery. Approximately one-third of the population is eligible for a medical card. A further segment of the population is eligible for a doctor visit card, which confers entitlement to free GP services only. All other citizens must pay for all GP services, and for any prescription drugs (up to a maximum of EUR 85 per month). If they require hospitalisation, they pay a small per diem rate for a public hospital bed, up to a fixed number of days per year. Any additional hospital bed days required above that fixed number of days does not attract any additional charge. A levy is charged for attendance at a hospital Accident and Emergency (A&E) department, unless the person has a referral letter from their GP. Citizens in Ireland can self-refer to any acute care hospital in the country without first being seen by their GP. GPs can also refer their patients to any hospital of their choice – they are not restricted to a hospital on catchment area or geographical location grounds.

A fast growing economy and a need to "catch up" in terms of health service delivery capacity (see below) have led to a strong increase in health expenditures. Between 1995 and 2005, total public expenditures in Ireland increased by 152.3%, third only to Mexico (323.2%) and Korea (163.3%) among OECD countries. The highest real average annual increases in expenditure over this period were in environment protection (10.34%) and health (9.21%). Ireland's annual increase in health expenditure is one of the fastest growth rates of all OECD countries, second only to Korea (around 11%) and significantly higher than the OECD average of 4.3% per year. The public sector continues to be the main source of health funding in all OECD countries, except the United States, Mexico and Greece. In Ireland, 78.0% of health spending was funded by government revenues in 2005, above the OECD average of 72.5%. The public share of health spending in Ireland has also increased significantly over the past decade, up from 71.8% in 1995. In 2005, the share of public spending among OECD countries was the lowest in Greece (42.8%) and the United States (45.1%), and relatively high (above 80%) in several Nordic countries (Denmark, Iceland, Norway and Sweden), the United Kingdom and Japan.

Despite the rapid increase in total health spending, it only accounted for 7.5% of GDP in Ireland in 2005 (Figure CS1.1), 1.5 percentage points lower than the average of 9.0% across OECD countries, reflecting the very rapid growth in GDP over the period. The United States is, by far, the country that spends the most on health as a share of its economy, with 15.3% of

Figure CS1.1. **Total health expenditure in OECD countries**

OECD, percentage of GDP, 2005



1. 2004.

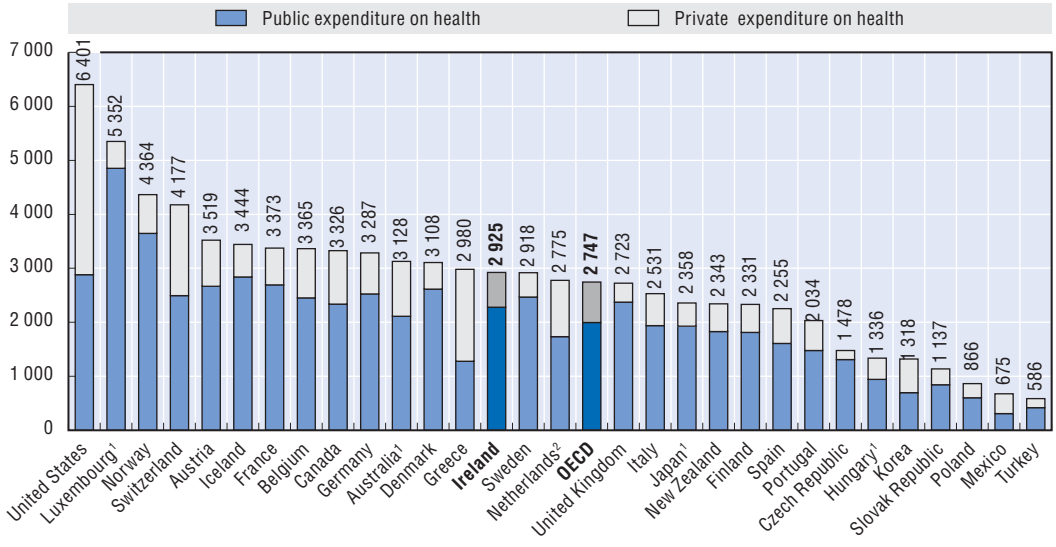
Source: OECD Health Data 2007.

its GDP allocated to health in 2005. Switzerland and France followed with, respectively, 11.6% and 11.1% of their GDP spent on health. Several EU countries – Germany, Belgium, Portugal, Austria and Greece – also devoted 10% or more of their GDP to health in 2005.

In terms of health spending per capita, Ireland ranks above the OECD average (Figure CS1.2), with spending of USD 2 926 in 2005 (adjusted for purchasing power parity) compared with an OECD average of about USD 2 759. Health spending per capita in Ireland remains however much lower than in the United States (which spent USD 6 401 per capita

Figure CS1.2. **Public and private health expenditure**

OECD, USD PPP, 2005



1. 2004.
2. 2002.

Source: OECD Health Data 2007.

in 2005), and significantly lower than some other big spenders, such as Luxembourg, Switzerland and Norway (with spending of over USD 4 000 per person).

Per capita health expenditures are a measure of annual trends but do not give a precise idea of the historical context. On the one hand, annual health expenditures should be discounted for the age structure of the population and Ireland has a younger population than continental Europe, but on the other hand, the cost of medical manpower is expensive in Ireland compared to other OECD or continental European countries. Even if they have grown in recent years, public health expenditures have been severely constrained and it is arguable that a greater emphasis has been put on aligning pay-rates for staff with other countries, or in some instances, exceeding them (so as to ensure continuity of supply and an ability to attract and retain staff), rather than on the maintenance and refurbishment of buildings or on the development of primary and community-based services rather than hospitals. There is a question of level as well as a question of nature of expenditures. It should also be kept in mind that it is the nature and the global cost of service which counts. It seems that the most expensive systems within OECD countries are also the ones where the direct contribution of patients is the highest. The OECD[3] has also shown that private insurance financing of medicine does not necessarily improve its efficiency.

Resources: acute bed capacity

During the 1980s, concerns regarding the national economy and the size of the national debt led the government to introduce a number of spending cutbacks in many areas of public expenditure. The proportion of GDP spent on health fell from 7.72% of GDP in 1980, to 5.72% of GDP in 1990.[4] As one of the largest spending departments, health was particularly affected by these cuts and net, non-capital public expenditure on health between 1986 and 1989 remained virtually static at around GBP 1.2 billion per annum.[5] These spending cuts coincided with rationalisation of hospitals and the closure of a number of voluntary and Health Board controlled hospitals, which resulted in a corresponding reduction in bed capacity.

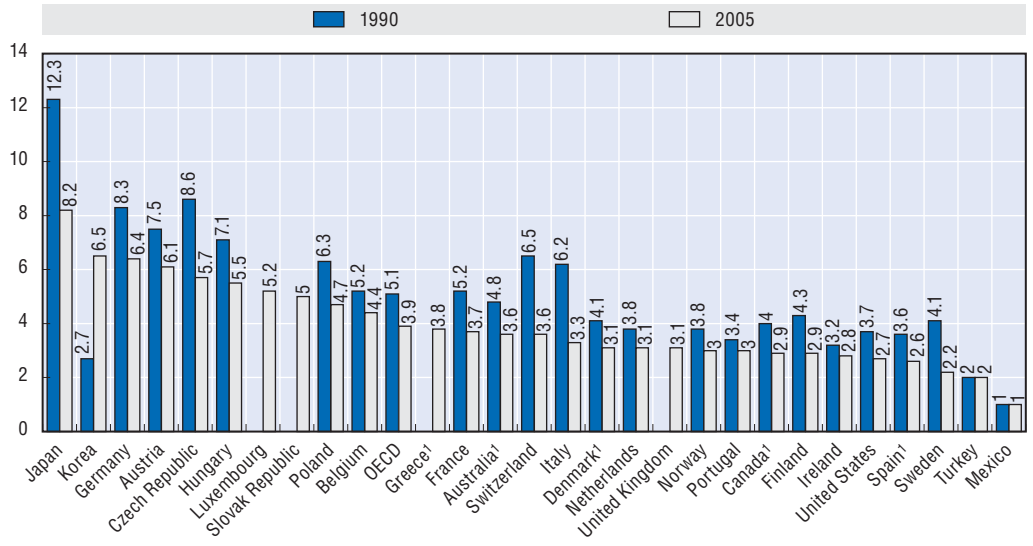
In the decade between 1980 and 1990, acute bed capacity in public hospitals dropped by some 22% to 11 766 beds: approximately 2 000 of the 3 397 beds lost were in the Eastern region of the country. The number of acute care hospital beds in Ireland was 2.8 per 1 000 population in 2005, below the OECD average of 3.9 beds per 1 000 population. The number of acute beds per capita varies considerably across OECD countries – in 2005 it was highest in Japan, Korea, Germany and Austria, with all reporting over 6 acute care beds per 1 000 population. Mexico, Sweden and Turkey were the lowest with less than 2.5 per 1 000. In most OECD countries the number of hospital beds per capita has fallen over time (Figure CS1.3). On average, the number of acute care hospital beds dropped from 5.1 per 1 000 population in 1990, to 3.9 in 2005. This reduction has been in part driven by progress in medical technology reducing the need for in-hospital care and shifts towards the use of day surgery.

Resources: health sector employment

Health sector expenditure increases have led to staff increases. As indicated in Chapters 3 and 4, the number of Public Service employees working in the health sector increased by 73% between 1995 and 2007 (see Table 3.2, Chapter 3). These increases in staffing and expenditure need to be examined, however, with reference to how the Irish

Figure CS1.3. **Acute care hospital beds**

OECD, per 1 000 population, 1990 and 2005



1. 2004.

Source: OECD, *Health at a Glance 2007*.

health system has developed and in the context of spending cuts across the Public Service during the 1980s, which disproportionately affected the health sector.

In the decade from 1997 to end-2007, the global health service employment increased by 64%. The highest rate was for health and social care professional (+164%); the number of medical/dental (+61%) as well as the number of nurses (+43%) grew significantly (Table CS1.1). Management and administration grew by 104%, while general support staff fell by 38% (though it should be noted that the reclassification of some grades since 1997 has an impact on these latter figures). Global health employment in Ireland (30.8 per 1 000 inhabitants) remains just below the average of OECD countries; this is half of Switzerland (59.4) but 50% more than Italy (20.3) or Spain (19.6). But, in absolute terms, hospital employment (17.5 per 1 000) puts Ireland in the highest rank: above the USA (17), Netherlands (16.3) and the Mediterranean countries. OECD statistics on practising

Table CS1.1. **Health service employment by grade category**

Ireland, 1997-end December 2007

Grade category	End 1997	End Dec. 2007	Change end 1997-end Dec. 2007	% change end 1997-end Dec. 2007
Medical/Dental	4 976	8 005	3 029	61
Nursing	27 346	39 006	11 660	43
Health and social care professionals	5 938	15 705	9 767	164
Management/admin.	8 844	18 043	9 199	104
General support staff	20 737	12 900	7 837	–38
Other patient and client care	–	178 046		
Total	**67 841**	**111 505**	**43 664**	**64**

Note: Management/Admin. consists of staff who are of direct service to the public and include Consultants' Secretaries, Out-Patient Departmental Personnel, Medical Records Personnel, Telephonists and other staff who are engaged in front line duties, together with non-frontline staff in the following areas: Payroll, HRM, (including training), Service Managers, IT Staff, General Management Support, and Legislative and Information Requirements.
Source: Health Service Personnel Census, Department of Health and Children.

physicians (GPs) indicate that Ireland (2.8 per 1 000) is placed above most Anglo Saxon countries (2.4 UK, 2.4 USA, 2.2 Canada, 2.2 New Zealand) but lower than continental Europe: Germany and France (3.4), Italy and Spain (3.8).

Despite the increase in medical personnel and particularly consultants in recent years, OECD health data indicates that Ireland continues to have a lower number of physicians[6] per capita than in many other OECD countries. In 2005, Ireland had 2.8 physicians per 1 000 population, compared with an OECD average of 3.0. While the number of doctors per capita is higher in Ireland than in the United States (2.4), Canada (2.2), the United Kingdom (2.4) and Australia (2.7), it is lower than a number of European countries, such as France, Germany and Sweden, which all record 3.4 physicians per 1 000 population.

One statistical characteristic of Ireland is its very large number of practising nurses (15.2 per 1 000), which is twice the OECD average, just below Norway (15.4) but much higher than UK (9.1) or France (7.7). The number of nurses graduating every year is also high (14.4), above Norway (10.1), UK (8.6) or France (5.9). This contradicts the universal perception of a "shortage" of nurses, held by health actors in Ireland who were interviewed by the OECD. Partial explanations come from the fact that some 40% of nurses in Ireland work part-time (as compared for example with 26% in France for nurses working in hospitals). Crucially however, it must be noted that the skill-mix of nurses is different in Ireland. In France for example, there is one aid-nurse ("*aide soignante*"), or nurse assistant working with each nurse. In addition, the number of Advanced Nurse Practitioners (ANPs) in Ireland remains low and there are difficulties in attracting interest from nurses to train in some specialist areas (such as neo-natal nursing). Furthermore, given housing and living costs in urban areas such as Dublin and Cork, it can be difficult to attract nurses to work in these locations.

One other specific characteristic of the manpower issue in Ireland is the competition for highly qualified persons in western English-speaking countries which is obviously not the case for most other European countries. In order to keep its well trained professionals, Ireland competes *de facto* with the UK, but also Australia, New Zealand, the USA, and Canada. This has a favourable impact on health professionals' income but an unfavourable one on health expenditures in Ireland. Consultants' annual income is 50% higher than France and 80% higher than Germany.

The possibility for Irish doctors to work abroad can lead to a lack of qualified personnel in Ireland and hence the recruitment of foreign-trained doctors who represent approximately 30% of the medical manpower.

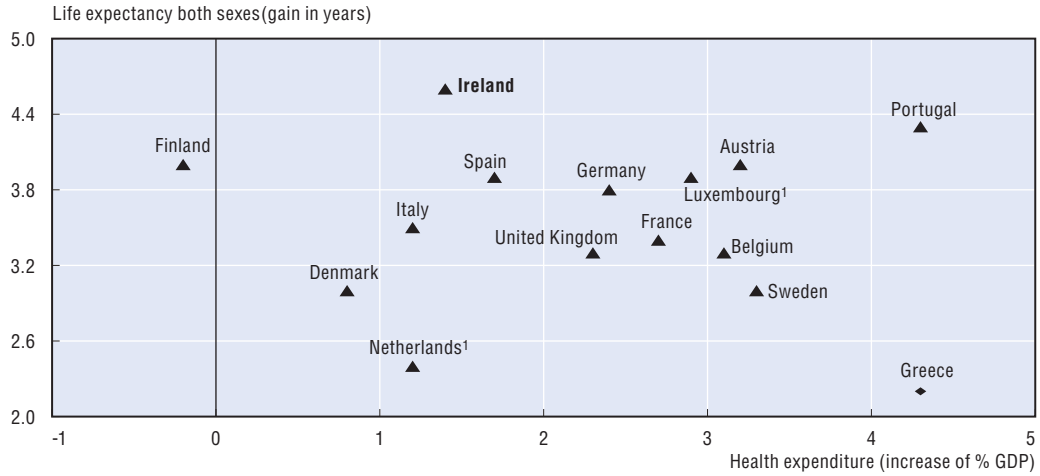
It is worth noting that in Ireland, GPs are not employed directly by the HSE and are not public servants: all are self-employed, although contracts are negotiated with the HSE regarding the payments and compensation they receive for treating medical card patients. Although different, GPs and consultants are linked by contracts with the HSE which define the methods as well as the amount paid for public patients.

Health of the Irish population

The health of the Irish is good and improving at an exceptionally rapid pace. Ireland is the European country which had the most spectacular increase in its life expectancy at birth since 1990 (and second only to Korea within the OECD): almost five years in 15 years, an average of four months a year (see Figure CS1.4).

Figure CS1.4. **Life expectancy and total health expenditure – Change between 1990 and 2005**

EU15



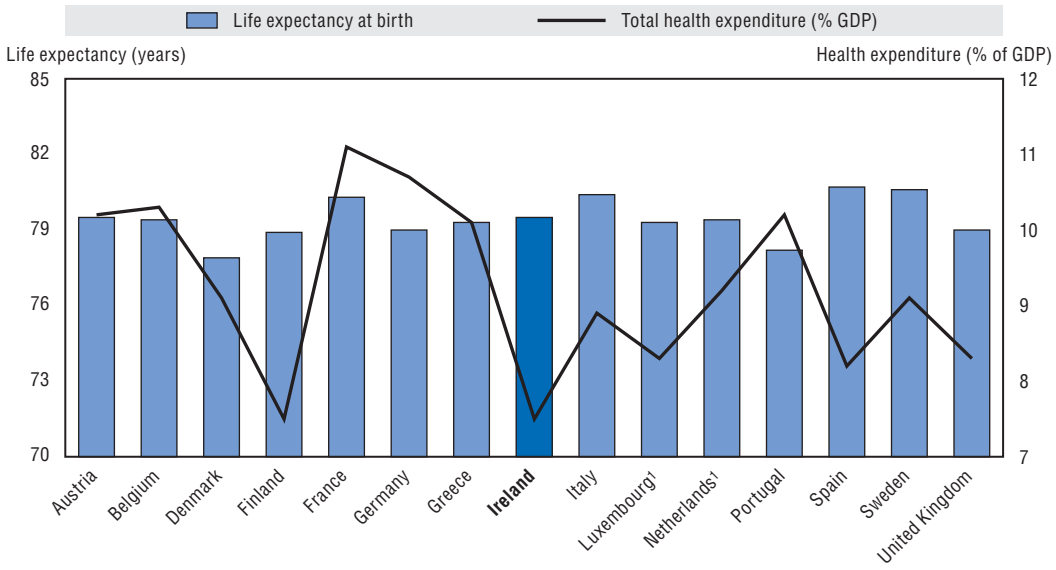
1. 2004.

Source: OECD Health Data 2007.

As in the case of many OECD countries, the increase in life expectancy at birth is associated with many other variables, including a decline in fertility rates. Since the early 1970s, the fertility rate has fallen from approximately four to below two. It should also be noticed that this spectacular evolution took place with a limited increase in health expenditure's share of GDP, making it a very efficient system (Figure CS1.5). These demographic trends are likely to translate into a significant increase in the old-age dependency ratio. Although this ratio is projected to change very little over the next two and a half decades, it could accelerate rapidly from 29% in 2025 to over 56% in 2050, which

Figure CS1.5. **Life expectancy and total health expenditure**

EU15, 2005



1. 2004.

Source: OECD Health Data 2007.

would be well above the OECD average of 47%. This means that in 2050, for every person over the age of 65, there will be fewer than two individuals of working age, compared to more than five in 2000.

Studies have shown[7] that it remains difficult to identify and measure the impact of all factors impacting on health outcomes – however measured – and to take account of other dimensions of health care such as patient satisfaction and the quality of care. While it is possible to compare countries' life expectancy, it is impossible to compare health by reference to medicine alone. Such works often delimit the study by concentrating on financial questions and very broad concepts (such as spending on hospitals and spending on drugs). Since the beginning of the 1980s, thanks to data provided by OECD, there have been many studies of the financing and nature of health care spending.[8] There are also several studies on how health care is actually organised and delivered to the population.[9] More recently, there are more and more studies about public policies in the domain of health care or health organisation.[10] But life expectancy at birth is not solely linked to the level of medical spending in Europe and the Western world. Nor is the growth of life expectancy solely linked to the growth of such spending. The USA, which has the highest level of health expenditure (15.3% of GDP), and the highest growth rate of such spending (rising by 3% more than overall GDP since 1990), also has the slowest growth rate in life expectancy (except for the Netherlands).

Medical care provided

The Irish are, with the exception of the Mexicans, by far the lowest users of medical care within OECD countries. For in-patient as well as out-patient services, international comparisons show that there is no overuse of medical care in Ireland compared to other OECD countries, even if, as in other OECD countries, there is some inappropriate use. The differences in levels of medical care provided are impressive: doctors' consultation per capita in 2005 were 2.5 in Ireland,[11] 3.5 in Switzerland, 5.1 in the UK, 6.6 in France, 7 in Germany and 13.8 in Japan. The same year the discharge rates from hospitals per 100 000 population was 10 227 in Ireland, 10 551 in Japan, 20 150 in Germany, 24 516 in the UK, and 26 781 in France.

Although such data should be treated with caution (these are not systematically collected across countries), the number of surgical procedures performed per annum in Ireland is low: 43 per 1 000 population. The comparable figures are 95.4 in Germany, 144.2 in the United Kingdom, and 207.4 in Denmark. Only one country, Mexico, among those which provided data to the OECD, has a lower rate (38.9). As an indication of the level of surgical procedures conducted, for example, cataract surgery, per 100 000 population are 251.1 in Ireland, 626.8 in the United Kingdom, 751.9 in France and 1 600 in Belgium.

In looking at the low levels of surgical procedures conducted, it is worth noting that Ireland has a longer average length of stay in acute care hospitals than other OECD countries (7.6 days). Although shorter than Germany (8.9 days) it is higher than the UK (6.6 days), France (5.9 days) or Norway (5.1 days). This is not necessarily a sign of ineffectiveness but may be related to challenges associated with finding appropriate convalescent or nursing home care.

Expectations of Service Quality

Given the increased levels of expenditure being allocated to the health sector (the annual budget allocation for 2008 for the health sector in Ireland is over EUR 16 billion) the

public expects high quality service and treatment when needed. Popular perceptions of health service in Ireland, however, are vastly different. On a near daily basis, there are media reports or discussions regarding difficulties within the health system. There are daily reports on the number of patients waiting on trolleys in Accident and Emergency (A&E) units for beds to become available in wards, and regular complaints about the waiting times for surgeries/treatments. The cancellation of planned procedures due to lack of beds is a regular occurrence. The public believe they are not getting value for money from the health system and that the only way to secure treatment is to have private medical insurance. Some 52% of Irish people hold private medical insurance, despite the fact that all members of the population, irrespective of income, are entitled to treatment in public or voluntary public hospitals.

This viewpoint has been compounded by a series of scandals within the health sector that has challenged public faith in governance of health services. Despite a number of scandals – from issues in relation to blood transfusion stocks, to superbugs in hospitals, to clinical malpractice cases involving consultants – the Irish public has indicated high levels of satisfaction with the service they receive, once they are able to access hospitals for treatment. A survey conducted for the Health Service Executive *Insight 07,* found that 76% of people going to hospital were admitted immediately, and over two-thirds had high levels of confidence in hospital and community care, with 78% of hospital in-patients happy with their care. Interestingly however, this survey also found that most respondents felt that acute hospital services should be provided in every county in Ireland, although 70% did indicate that they would have a preference for treatment at a specialist centre, if this meant they got the most successful outcome.

Historical and institutional context: institutional reforms aimed at improving health care quality

The Irish hospital system comprises three distinct types of hospital: public, voluntary public, and private. Many of the public hospitals had their origins in 19th Century workhouses or in the infirmaries attached to them. Following the abolition of the workhouses in the 1920s, a system of county hospitals began to develop. Voluntary 'public' hospitals were largely ones established by charities or religious orders and some date back to the 18th Century. These tended to be located in larger towns. Traditionally the management of these was (and remains) independent of the public system, though they are reliant on the public system for funding and deliver the same services as public hospitals.

The *Health Act 1970* set out the blueprint for the modern Irish health care system: this established eight regional Health Boards with responsibility for the provision of health and personal social services, and moved responsibility for the formulation and evaluation of health policy from the local authorities to the Department of Health and Children. These Regional Health Boards themselves answered directly to the Department of Health and Children, and also negotiated directly for funding, staffing, and resources, etc. The membership of these Regional Health Boards included local level politicians and Board meetings took place in public, with local media coverage of discussions.

The Health Boards, given their composition, were highly political, and the nature and level of health services provided within each regional area largely depended on the "power" and influence of the Board in attracting resources from the Department of Health and Children. The individual interests of Boards also influenced the specialty of consultant

attracted to, or appointed by Health Boards to the hospitals in their area. This led to significant variability in the level, nature and quality of services provided across the regions.

The most significant and recent reform of the Irish health system was the replacement of the regional Health Boards through the establishment in January 2005 of the Health Service Executive (HSE). The HSE is an agency under the aegis of the Department of Health and Children, and is the single body responsible for meeting Ireland's health and personal social services needs. The Department of Health and Children has statutory responsibility for the formulation and evaluation of policies for the health service. The HSE is responsible for the management and delivery of health and personal social services within the policy, legislative and resource allocation framework determined by the Minister for Health and Children and the government.

On the establishment of the Health Service Executive (HSE), each of the former regional structures which had its own responsibility for finance, administration, staffing, ICT, etc., was centralised into the HSE. The HSE is now the largest single employer of public servants in Ireland, with more than 73 500 staff directly employed, and a further 38 000 staff employed by voluntary hospitals (not necessarily acute care hospitals), and other bodies funded by the HSE. Its overall budget of approx EUR 16 billion is the largest of any public sector organisation. It is estimated by the Department of Health and Children that some 68% of this budget relates to pay/administrative costs.

The HSE has a board whose chairperson and ordinary members are appointed by the Minister for Health and Children. Its top management team is headed by a CEO who is also a member of the board. The HSE's functions are divided into three pillars:

- the National Hospitals Office – responsibility for 52 acute hospitals;
- primary Community and Continuing Care (*i.e.* non-acute, residential homes, convalescence facilities, etc.); and
- population health, with responsibility for general public health issues (*e.g.* obesity, smoking ban).

The National Hospitals Office (NSO) has responsibility for 52 acute hospitals (there are an undefined number of "other", local hospitals that would not be classed as acute, that provide basic services) broken into four "region" groups, and eight Network areas (two networks per group area). Not all of the hospitals within a group or network for which the HSE is responsible are actually state owned as some are privately incorporated – *e.g.* the academic teaching hospitals of St. James' and St. Vincent's. Each network area has its own dedicated Network Manager who has daily responsibility for co-ordinating and overseeing the management of the acute hospitals in his/her area, and is financially accountable for these hospitals. Similar Area Managers have responsibility for the four primary care areas.

The HSE annual budget is separated according to the three pillars: public health; community and long-term care; and acute hospitals. It is then distributed at the regional level keeping the previous logic. In other words, there is no global financing at the regional level. The historical dimension of the budgetary process seems to continue to be the rule (*i.e.* hospitals receive their previous year's allocation adjusted for inflation), corrected with some measure of output (number of patients treated), rather than outcome. Continuation is also the rule for the largest share of the annual capital budget even if some new programs are financed each year. DRG (Diagnosis related groups) tend to correct at the margin (approximately less than 1%) any previous inequities.

In addition to the HSE, which has primary responsibility for both health service delivery and specifically the reconfiguration of services in the North East, other key stakeholders include the population of the North East region, the staff of the hospitals, GPs and other primary health care providers, community care providers, trade unions, and local politicians. From a wider perspective, the universities providing medical training (*e.g.* of nurses, GPs, consultants, etc.) also have a role to play in ensuring sufficient throughput and availability of medical manpower to meet needs going forward.

Challenges

Sequencing of reforms: primary and community care

The policy objectives set out in the government's proposal to reconfigure hospital services, are based on sound principles: to deliver the appropriate care at the proper level and more specifically, to limit hospitalisation only to those in absolute need of such treatment. In reconfiguring the services currently being provided by acute hospitals in the North East, the HSE is not only working to ensure that there is sufficient throughput of patients to maintain best clinical practice, but is also working towards an end objective of ensuring that the public gets the appropriate level of treatment, at the appropriate time. The most important element in achieving the overarching objective under the hospital reform initiative, is what will be done for the organisation of primary and community care in order to counteract the actual bias of the population toward hospitals.

Putting primary care teams in place

While a number of services have already been curtailed or removed from some of the acute hospitals in the North East, commensurate improvements have not as yet progressed on the primary and/or community care sides. It is envisaged that greater use will be made of primary care teams – teams comprising GPs, physiotherapists, occupational therapists, advanced nurse practitioners, psychologists and social workers – and that in the first instance, patients would be seen by their local GP operating in such a primary care team environment. This would allow smaller non-acute injuries or illnesses to be treated without recourse to hospital care. Where there is a need for referral to hospital, the existence of a primary care team that will be kept aware of developments with a patient will be better able to manage post-acute hospital care, thereby allowing for faster discharge of a patient from hospital. Work on establishing primary care teams, however, is not progressing at the same pace as the realignment of functions by the hospitals.

The reform project in the North East envisages that certain staff currently based in acute hospitals, such as physiotherapists, occupational therapists, etc., will move out of the hospitals and instead work with GPs as part of integrated primary care teams based in the community. A number of primary care teams have been established with success around Ireland. There is, however, a level of confusion among GPs in the North East, particularly those who operate as stand-alone GPs (*i.e.* not in a joint practice with other GPs), regarding how these teams will be organised and managed. GPs who have bought or own their own premises are unsure as to how they can accommodate additional staff, whether they will need to source additional space or premises, who will pay for any additional or new premises that may need to be acquired, and whether their private patients will be able to avail of additional services provided by the primary care teams. A better sequencing of reform would have sought to align the negotiation of new GP

contracts (which have not as yet commenced) with the proposed changes in primary and community care structures.

There is a clear vision within the HSE regarding how health care services in the North East will be delivered following final implementation of all reforms. This vision however, has not been appropriately or adequately conveyed to the GPs in the North East region. The primary care teams that have been established elsewhere in Ireland seem to be working well and with success for both practitioners and patients. Early communication with GPs in the North East to clarify their role, and address their queries and concerns is essential if the objective of an integrated health care system envisaged by this substantial reform programme is to be achieved.

Supply of General Pratitioners (GPs)

Given that GPs in Ireland are privately employed, the development of primary care teams and the ability to deliver on a restructured service at primary care level is one that needs to be advanced and managed so as to ensure that GPs are on-board with their changing role in health service delivery, and also that there is sufficient capacity to meet the end requirements of citizens. Figures supplied by the Department of Health and Children indicate that as of end 2007, some 155 GPs with General Medical Service contracts (*i.e.* also serve public patients and are paid by the HSE) are in practice in the North East. This translates as 1 GP per 2 581 persons in the Region: 1 per 1 600 is the recommended ratio.

Since 1995, 45 GPs have left practice in the North East and out of the 41 who graduated from that region, only 18 started to work there. Over the next seven years, 23 more GPs are due to retire. This problem is not limited to the North East; in the ten years to come, one third of practising GPs will retire and less than one tenth will graduate from medical school. At present, there are 90 GP training places per annum in 12 training programmes. To hold a state contract for the provision of services, Irish GPs must hold a Certificate of Specific Training/Acquired Rights in General Medical Practice under EU Directive 93/16. To acquire such a certificate, GPs will have completed an accredited programme of structured training which lasts for a minimum of four (and, in some cases, five) years following completion of their intern (pre-registration) year. For those who cannot avail of a place on an Irish training programme it is possible to avail of training within any EU State, and be certified under Directive 93/16 by the Competent Authority of that State. A number of Irish applicants have availed of this option to pursue their GP training in the UK. To date, this has included the option of pursuing a formal three year scheme following hospital training (which could be undertaken in either Ireland or the UK). From August 2008, however, all applicants wishing to pursue GP training in the UK will have to complete all their training – three years after two foundation years – in the UK. This will place additional pressures on Ireland going forward, to meet demand for GPs.

In light of the number of GPs due to retire, the dispersal/location of GPs in the North East, and challenges associated with increasing the supply of GPs coming through training courses, there is an urgent need to increase the number of GP training places available and to put incentives in place for them to establish practices in the North East.

Changing patterns of work, combined with changing demographics and needs in the North East will also require the HSE to closely examine how best it can work with GPs in achieving the objective of increasing and improving the delivery of primary health care to citizens. As indicated, the North East is part of the Greater Dublin area hinterland, with

large numbers of the population commuting significant distances to and from work each day. As such, consideration needs to be given to how, when and where the population will access GP services. For example, people may wish to access certain GP services close to their place of work, but retain options for also accessing GP services nearer home outside of working hours. This may require greater flexibility on the part of GPs to provide services outside of traditional working hours, or to co-operate with other GPs/primary health care providers. The opportunity exists as part of the broader programme to reconfigure and reform health service delivery in the North East, for the HSE, in conjunction with discussions with GPs, to make decisions regarding service delivery that are reflective of citizens' changing needs.

Dependent care: capacity and financial supports

Developing Primary Care teams and improving the supply of GPs is needed to ensure that sufficient capacity exists at the community level to provide alternative treatment and health care options for those with non-acute medium to long-term care needs. For those, however, who no longer require acute hospital care, but who equally cannot yet return home or to independent living, it is important to ensure that sufficient places are available in community care facilities such as nursing homes, or convalescent care/step-down facilities.

A key element in assisting those who require medium- to long-term care, but do not need a bed in an acute hospital, is to provide appropriate financial supports to enable them to either stay at home or living independently in their community for as long as possible, or to support them in accessing appropriate medium- to long-term residential care when this is no longer an option. The HSE provides financial assistance through 'Home Care Support' packages, to those requiring medium- to high-level support, which allows them to continue living independently at home/in the community. Since these arrangements are operated on an administrative, as opposed to statutory, basis, older people do not have an automatic right to receive such support. In addition, there can be differences between those HSE areas offering the scheme in how people are assessed.

Some 22 000 older people are in long-term residential care in Ireland. For those in State-run nursing homes, the State provides the bed and charges a maximum of EUR 120 per week. For those in a private nursing home, they may be entitled to a subsidy according to their level of need, but otherwise they are obliged to meet the full cost of care. The existing subsidy arrangements assesses a value equivalent to 5% of the value of the older persons home as an "income" and seeks this value from the older person (or their families): Given the substantial cost of houses in Ireland, this can assume that people have a higher disposable income than is actually the case and result in wide variation in the costs payable by people who have the same 'actual' level of income, but whose homes are valued differently.

In order to address such difficulties, the government has announced a new initiative for nursing home support. The 'Fair Deal Nursing Home Support Scheme' envisages a more equitable arrangement to ensure accessible and affordable residential nursing home places for all older people, and places a cap on the costs that are payable by the older person for care. In addition, much of the costs associated with a valuable asset such as a home, are deferred pending the settling of the estate of the older person, or any other dependents they may have who are living in the home.

Moving staff and patients out of hospitals into community care, or developing primary care teams has resource and cost implications, for example, capital costs to refurbish or upgrade premises or to hire (or reallocate) additional front-line medical staff. An audit of existing community care facilities (*e.g.* nursing homes, etc.) is being undertaken to identify which facilities require refurbishment or replacement. This is on the basis of the introduction by the Health Information Quality Authority of revised standards for nursing homes, and legislation that will be enacted during 2008.

Communication of policy objectives

Significant concerns have been expressed by lobby groups in the local area regarding the changes being made to the acute hospitals. There is a fear that hospitals are being closed down and that alternative services will not be provided. Fears also exist that patients will unduly suffer and may face unnecessary complications arising from having to travel additional distances to avail of acute services. In the absence of visible changes on the primary care side as indicated above, these fears are not being allayed.

The HSE is making inroads at a local level, to address cultural and historical fears regarding the perceived "loss" or "closure" of local hospitals. The Hospital Network Manager for the North East region is in regular contact with local interest groups and is a regular contributor to local radio stations in discussions on the reform project. Consultants from the region have also attended public meetings to explain the clinical benefits of reconfiguring the service to the population.

While these efforts do appear to be paying off, with both staff and increasing numbers of community members accepting the clinical need for sufficient throughput of patients – other questions have not, and as yet, cannot be answered. At the time that this case study was written, a decision had not yet been made or communicated on where the new regional hospital will be located, and alternative options to hospital care are still being developed or advanced.

In order to advance the reform programme, it is essential to build further support for it among health service staff and the general public, as well as among the media, local politicians, and professional organisations. A clear focus on short term deliverables or "quick-wins", that are consistent with the overall reform programme will help to build confidence, trust, and thereby engagement, with the reconfiguration process.

Governance

As indicated earlier, the HSE is responsible for the management and delivery of health and personal social services within the policy, legislative and resource allocation framework determined by the Minister for Health and Children and the government. All policy issues – including those on public service pay, industrial relations, legislation and service prioritisation – are a matter for government. While the CEO of the HSE is accountable as the Accounting Officer for expenditure by the HSE, the Minister for Health and Children is politically accountable for the implementation of policy by the HSE and the overall performance of the health service.

There are lessons to be learnt from the case study on Managing Agencies with respect to the governance arrangements both between the HSE and the Department of Health and Children, and the internal governance arrangements in the HSE. The establishment of the HSE as a single agency with a national focus was intended to bring about changes in the

system and ensure greater coherence and consistency in service provision. It is important to note that the HSE, unlike many other Public Service agencies, was not a "new" body *per se*, but the amalgamation of a number of existing structures into one. While the central ethos of the new management structure in the HSE may have become more "nationally" focused, bringing about a similar change in focus across the broader system is a bigger challenge and requires intensive and consistent efforts from the "centre" (top management of the HSE) to all staff, both administrative and clinical, working in the primary, community and hospitals sector.

While the HSE is largely involved in administering and delivering on policy, it also has a role to play in "selling" policy changes to the population. The apparent lack of a co-ordinated approach to informing the local population, the staff in the hospitals, and the wider medical community in the primary and community care areas of the intent, timeframe and purpose of the reforms, has led to confusion and hampered efforts to promote the reforms as a positive development for the North East.

It is possible that the HSE is trying to do too much at once and is not actively looking at what it can achieve and deliver on in the short-term, to improve consumer/public confidence in the health system in Ireland generally, and the reform programme in the North East specifically. As indicated in the case study on Managing Agencies, the governance and management structures that exist between the agency (HSE) and its parent Department (Health and Children) should be examined to ensure that there is a shared understanding and agreement on how the HSE is working to advance implementation of government policy.

Performance assessment

The measurement of what is being achieved for the inputs to the health system (*e.g.* staffing, financial resources, etc.), is improving, but further progress is needed. The HSE needs to be able to demonstrate in a more consistent and evidence-based way, what it is achieving and delivering on, in return for substantial levels of Exchequer funding. Measuring outputs alone (*e.g.* time taken to be seen in a hospital, number of days/weeks/months waiting for surgery, etc.), while important from a quantitative viewpoint, does not always capture qualitative elements, such as the quality of treatment, consistency of treatment and patient satisfaction levels. A shift to including longer-term outcomes – such as improvements in life expectancy, survival rates for cancer treatment or transplants, the number and age profile of elderly people living independently or with limited support in their own homes – and the contribution of health policy to realising them, will provide more usable qualitative information on how the health service is improving.

In examining this case study, the OECD experienced difficulties in collecting statistics. While valuable evidence on Diagnostic Related Data (DRG) is collected and managed by the ESRI on behalf of the HSE and the Department of Health and Children, its use in supporting case mix data or in informing service delivery decisions or new policies appears to be limited. For example, there seems to have been limited consideration by Teamwork Management Consultants of DRG data in terms of projecting the types of acute services needed by the population and what the likely impact of population choice (*e.g.* in terms of hospital, etc.) would be following the "downgrading" of acute hospitals in the area. DRG data could be useful in identifying the location that will best maximise usage by the local population of the new regional hospital.

The Department of Health and Children, with the HSE, needs to be able to identify a number of key performance indicators that are measurable, that can incentivise local management and staff to improve the patient experience, and that do not create unnecessary administrative burdens at the local level that can detract front-line staff from patient care.

Related to the development of performance measures is the ability to gather information in a consistently efficient manner. The ability to get critical clinical information in real-time to the doctor, consultant or nurse at the point of care is essential. There is a need in the health sector – as in other areas of the Public Service – to harness the potential that ICT solutions can provide. For example, the secure sharing of patient information would ensure that all clinical staff dealing with a patient can access the required information quickly and efficiently, thereby improving the timeliness of services provided and leading to a better overall patient experience. ICT solutions, alone, cannot deliver effective, efficient and quality services, but they can, if appropriately developed, help support improvements. This is a common problem across OECD countries, and concerns remain about the cost effectiveness of these systems. Recent work at the OECD suggests that these systems are costly, require heavy up-front investment, and have long payback periods.

Capital funding

There is a need for investment in buildings, medical equipment, managerial tools and electronic health records in the Irish health care system. In some instances, urgent action is needed to upgrade existing acute or community care facilities, to provide appropriate isolation rooms, or to acquire more modern diagnostic equipment. To respond to the pressures that can arise to divert funds from capital allocations to meet front-line service delivery, Ireland should make capital investment in health facilities a top priority.

Conclusion

The underlying objective of the reform programme in the North East is one to be applauded. If successful, the population in the North East region stands to inherit a health service that is focused on their needs and is citizen or patient-centric, rather than focused on the needs of the service provider. Clinically, the reform programme makes sense and will lead to safer, better quality treatment options for citizens.

The HSE, as a relatively new agency, has made inroads in advancing the project, but the sequencing of reforms needs to be re-examined. In conjunction with the Department of Health and Children, efforts should be made to better identify "low-hanging fruit", or areas where quick-wins can be made. The early establishment of one new primary care team in the region, that is shown to provide improved treatment options and acts as a realistic alternative to acute hospital care, will be of assistance in demonstrating to the broader population in the North East the advantages of the reforms.

Improved sequencing of reforms needs to be accompanied by a strong communication and information dissemination process. In addition to public meetings, the development and distribution of accessible literature on what is happening in an area, accompanied by regular updating of staff and community interest groups would be of assistance in allaying fears regarding perceived losses of health care.

Governance arrangements between the Department of Health and Children and the HSE need to be strengthened. Improved arrangements will allow for earlier sharing of information on delivery (ensuring that the Minister is fully aware of developments when making statements), and will allow for improved consistency of approach to communicating the import and intent of the reform programme.

Box CS1.1. **Key recommendations**

Achieve an integrated approach to health care: At the moment, the HSE is focusing on progressing the reconfiguration of services provided by the hospitals in the North East, but related reforms in the primary care services are not yet visible. Budgets allocated to primary care are being sidetracked to the hospitals because of additional needs for acute care. If the overarching objective is to be realised and the reform is to work, the related reforms in the primary and community care services, such as establishing primary care teams, reallocating non-acute staff from hospitals to work in primary care teams, and ensuring that sufficient capacity exists in nursing homes or convalescent care/step down facilities, must be dealt with first. The population must have the reassurance and the visibility of alternative services.

Primary care reform should advance in tandem with hospital reforms: There is disparity at present between the reforms being advanced to reconfigure the hospitals, and the additional services due to be provided by the primary care providers. If primary care teams are not put in place before services are removed from hospitals, and if the changes proposed are not appropriately communicated within the North East region, they will not be seen by the public as a better alternative to a hospital for non-acute care. In addition, the existing hospitals providing acute care pending the development of the new regional hospital will not be able to answer the needs of the population.

Manpower analysis: With increased capacity urgently needed, particularly in relation to primary care services, discussion and consultation on GP capacity and training for the medium-to-long term, needs to take place with the medical schools immediately. This applies also to the other components of the skill mix for care-teams. Planning in the health sector should involve educational establishments so as to ensure sufficient throughput of students with relevant experiences, *e.g.* to guarantee an adequate supply of GPs and sufficient supply of Advanced Nurse Practitioners and other specialist nurses.

Assure proper personnel planning: There is a general lack of information and awareness among the medical profession (largely the GPs) and among citizens about how the proposed new primary care teams will work, where non-acute staff currently based in hospitals will be located, and the services that will be provided by the reconfigured hospitals when all their acute services are withdrawn. Early communication with existing GPs in the North East to clarify their role, and address their queries and concerns is essential if the objective of an integrated health care system is to be achieved and the broader aims of reconfiguring hospitals are to be realised. Changing demographics and changing patterns of work (on the part of both GPs and citizens) needs to be taken into account in calculating primary care needs for the North East in terms of the number of GPs needed and where they need to be located within the region. The current low number of GPs in the North East area is compounded by projections of those expected to retire in the coming years and by the limited number of GPs expected to graduate from training. To ensure there is sufficient supply of GPs available to work in the North East will mean both increasing the number of places available on GP training courses, and also putting incentives in place to attract GPs to establish practices in the region.

Take account of demographic needs using international trends: The current reform programme in the North East envisages the five acute hospitals being collapsed into two by mid 2009, and thereafter to one hospital by 2015. International comparison is an important tool to identify new ideas and best practices, but these comparisons must take into account differences in system, context and culture. The report on which this decision was based is informed by a UK model, and largely took account of the views of Royal

Box CS1.1. **Key recommendations** *(cont.)*

College of Surgeons in England which says that the catchment population size for a general hospital is between 450 000 and 500 000 inhabitants. It is worth noting however, that within other OECD countries, there are a range of possibilities. In France and Germany, for example, the catchment population size for a general hospital of 500 beds would be three times less (150 000 inhabitants). It is important to be sure that the model used for planning the future hospital configuration in the North East is the optimum one, given the specific characteristics of the region. The HSE must be certain that the current population distribution and demographics (age, etc.), the existing low level of primary care providers (GPs) and likely future demographic trends have been appropriately taken into account. By taking a broader look at international systems, including systems that are similar in terms of their needs, the Irish government could examine different patterns of hospital requirements in the North East. This may include the possibility of having two hospitals, one regional, and one general. It may equally be that the outcome of such an examination will be a reaffirmation of the plan for one acute hospital for the region, but it is important to avail of the opportunity at this stage to explore different patterns of acute hospital provision in the light of international experience.

Plan for budget needs: The reconfiguration project is taking place within existing budgetary allocations. The total cost of reform needs to be anticipated, and the necessary funds and resources made available to support the appropriate sequencing of reforms. In order for this to happen, however, better information on performance and budgeting information, in particular, on the level and cost of medical consultant activity, is needed. In addition, as patients can go to their choice of hospital anywhere in Ireland, more information on where patients are actually travelling to and from what region is needed.

Ensure greater clarity on the role of the key actors: The government and the Minister for Health and Children have responsibility for policy formulation and development, while the Health Service Executive has responsibility for the delivery of health services within that policy direction. To ensure greater accountability, more clarity is needed on the respective roles of the Department and the HSE. In line with recommendations arising from the case study on Managing Agencies, governance arrangements between the Department and the HSE also need to be strengthened and developed. This will assist in developing more coherent messages and information being conveyed to the public on health service issues.

Personnel/staffing ratios: Comparative analysis can allow the Public Service to identify areas where additional efficiencies can be achieved, as long as country-specific needs are taken into account. The present staffing ratios in HSE public hospitals (3.9) are not the most efficient, with a high density of personnel per bed relative to other OECD countries. The staff ratio of personnel per bed in French and Swedish private-for-profit hospitals, in comparison, is between 1.2 and 1.3 (not including medical consultants). A comparative analysis would help to determine why Irish ratios are higher, and what the impact has been on outcomes. It would help identify good practices that would permit quality service at more efficient staffing ratios.

Financial expertise/activity based costing: Activity-based costing can help to increase efficiency by base lining costs across jurisdictions in order to identify process improvements. Such measures can help limit the negative impacts on incentives of budgets that are based on historic spending levels. Such an approach is not a panacea, however. Although activity-based costing is certainly possible for hospitals, this is less so the case for primary care, because of the importance of potential demand, which can only be determined as supply grows. A long-term business case plan should therefore be based on projections of medical manpower (how many, of what type, at what price), and the alterations in demand due to the changes in the Irish's demography. Different financial scenarios should be studied, including the financial implications of primary, hospital, and long-term care. In this context, the Irish government may wish to consider the experience in other OECD countries of partly paying primary care providers on the basis of performance, for example, as is done in the UK.

Secure and increase capital expenditures: The proposals to develop additional primary care teams and to reconfigure acute hospital services will require the development and/or rollout of ICT systems to better allow

Box CS1.1. **Key recommendations** *(cont.)*

GPs and other primary care providers share information regarding their patients, and the upgrading and/or acquisition of additional medical equipment by the acute hospitals. There is a need for more investment in the development of electronic health records and managerial tools, in addition to the development and revamping of buildings and the upgrading of medical equipment. These proposed requirements need to be reviewed carefully by the Department of Health and Children, the HSE and the Department of Finance, so that implementing the reform project can be appropriately costed and funded within the overall budget constraints.

Improved data needs to be gathered from the hospitals and primary care sectors to ensure that health policy takes full account of epidemiological, structural, demographic, and financial data. A national diagnosis-related group (DRG) database should be developed, which could be used for planning purposes. The diffusion of information systems for primary as well as hospital care should be organised at the national level. Ireland needs only one system for medical records.

Notes

1. Report by Teamwork Management Consultants for the Health Service Executive (2006) *Improving Safety and Achieving Better Standards. An Action Plan for Health Services in the North East.*
2. Database maintained by the library of Congress of the United States of America.
3. Colombo, F. and N. Tapay (2004), p. 6.
4. O'Morain, P. (2007).
5. Deloitte and Touche (2001).
6. The OECD defines practicing physicians as the number of doctors who are actively practising medicine in public and private institutions. In many countries (but not all), the numbers include interns and residents (doctors in training). The numbers are based on head counts, except in Norway which reported full-time equivalents prior to 2002. Ireland, the Netherlands, New Zealand and Portugal report the number of physicians entitled to practice (resulting in an overestimation).
7. Kervasdoué, J. de (2007).
8. Culyer, A.J. (1990). Schieber, G.J. and J.P. Poullier (1990). Evans, R.G. (1996).
9. Figueras, J. *et al*. (2004).
10. Tuohy, C.H., C.M. Flood and M. Stabile (2004). Kervasdoué, J. de, T. Okma and T. Marmor (2003). Pallier, B. (2004).
11. During our visits in Ireland we got a different figure: 4 per inhabitants per year. In some countries such as France, consultants also provide consultations in their private practice.

ISBN 978-92-64-04325-1
OECD Public Management Reviews : Ireland
Towards an Integrated Public Service
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Case Study 2

Managing Agencies

Introduction

Arm's length bodies are not a new phenomenon in Ireland. Since the 1990s, however, the number of state agencies[1] has more than doubled, reflecting the growth of the Public Service and the need to respond to new regulatory and service delivery challenges. This process, termed "agencification", occurs when new state agencies are created either *ex nihilo* or to take over existing tasks from government departments.

In Ireland, the proliferation of agencies has concerns that their benefits may be outweighed by a decrease in accountability, and a fragmentation of purpose and scale of public sector activity. International studies on agencification have concluded that agencies are not good or bad *per se*, but require appropriate forms of control and accountability which, in turn, depend on the agency's function and on the wider governance environment.[2] Similarly, studies carried out by the Committee for Public Management Research (CPMR) in Ireland[5] are thorough pieces of research on the functioning of national and local[7] non-commercial Irish agencies. All evidence the OECD has gathered supports the conclusions of the CPMR studies. Rather than repeating the analysis carried out by the CPMR, this case study concentrates on reviewing the reasons for the present situation in Ireland; and demonstrates how this is reflective of wider governance difficulties in the country. It also makes recommendations for improvements in light of the broader governance context.

One of the key recommendations from the *Devlin Report* (1969)[8] was to separate policy making from implementation. While many departments in the Irish Civil Service continue to have service delivery responsibilities, one of the main ways in which the separation of policy making and implementation has taken place has been through the creation of state agencies. The idea of using agencies in Ireland is not new and dates back to the beginning of the century for commercial agencies. A number of new agencies were subsequently created in the 1970s, but the majority have been created since the beginning of the 1990s. After reviewing agency setups and structures and speaking with officials involved in the creation of agencies, it is clear that they were created in order to respond to new regulatory and service delivery challenges, but that little thought was given as to how the arrangements could be made more systematic or to the issues regarding the overall governance of agencies.

This case study will show that, like many OECD countries, Ireland has had difficulties in establishing a clear governance framework for agencies. The current governance system is not transparent for the Public Service, let alone for citizens and private companies, and the management and accountability of the Public Service as a whole has become more challenging as the result of the particular path taken by agencification. This problem is compounded by the fact that, at the time they were created, little thought was given to establishing systematic arrangements for the oversight of agencies or to the idea of governance in general. As a result, the establishment of agencies in Ireland has not improved the delivery of flexible and responsive government services.

The government has failed to keep pace with agencification in that, while the organisational form has evolved, the accountability structure remains very centralised. The gains from agencification could be enhanced by increased delegation of authority to agencies, and by a corresponding increase in the clarity of performance expectations. This approach is not without risk: the experience of OECD countries shows that this can lead to fragmentation of service delivery. This risk, however, can be mitigated by building capacity in performance management and by making the accountability structure more coherent with the overarching mission statement and strategic objectives of agencies.

Context

Contrary to popular belief, in the past 25 years relatively few OECD countries have completely changed their government structure in the service delivery area through agencification. Agencification has been more important in the regulatory area because it has provided independence to regulation and has thus changed the way government functions, but this has not involved many staff or a large government budget. In a majority of countries, the major change to government structure has been devolution to local government and not agencification *per se*.[9]

The United Kingdom, the Netherlands and New Zealand are all countries in which a large part of central government was involved in major waves of agencification. Ireland, however, has taken a somewhat different path of agencification compared to those countries. Most importantly, agencies in Ireland tend to have both representative governing boards and little managerial autonomy, with a high proportion of local agencies playing a co-ordination role at the local level. This can, in part, be explained by the context in which agencies have been created in Ireland.

Agencification as a means to increase public sector capacity

The creation of agencies in Ireland since the early-1990s has been about developing new Public Service capacity rather than restructuring existing capacity. The bulk of Irish agencies have been created since the start of what were known as the "Celtic Tiger" years. It has therefore taken place at a time of major economic expansion and increased spending in the public sector, as well as during growth in public employment. In many other OECD countries, major increases in government capacity occurred in the 1970s and resulted in larger departments, rather than the creation of new agencies. For these countries, the wave of agencification that followed in the 1990s took the form of establishing agencies by transforming existing central government capacity into "semi-autonomous" government bodies.

Some countries such as Sweden have constructed their entire government capacity on an "agencified" governance model, and thus do not provide a useful comparison for Ireland. In such countries, the concept of agencification has little meaning, as capacity has been organised around an agency framework for a very long time. Therefore, the agency culture, reporting relationship and repartition of responsibilities are commonly understood and accepted (even though difficulties still exist). In addition, these countries are fully agencified in the sense that there is little government outside of agencies. For example, in 2002, Sweden's national Government had approximately 3 800 staff working in ministries,[10] and approximately 200 000 civil servants employed in agencies.[11] In other words, the number of staff working in central departments in Sweden makes up less than 2% of all staff, *versus* roughly 10.5%[12] in Ireland.

In Ireland, the current responsibilities of state agencies were previously held by government departments for only half of state agencies operating at the national level.[13] Compared to other OECD countries, most agencies in Ireland have thus been created *ex nihilo*, *i.e.* to fulfil a new function.

By choosing agencification as a major tool for building capacity over the last 10-15 year period, Ireland has set up for itself a dual challenge of not only quickly increasing government capacity, but also of establishing a more sophisticated governance environment that is needed for agencies which are more complex to manage than central departments.

Agencification in a centralised government

OECD countries, such as the Netherlands, New Zealand, Australia and the United Kingdom, which have purposely agencified in recent years, have done so in existing flexible managerial and control environments. While agencies have introduced further flexibility in these countries, a culture of delegation was already firmly in place.

In comparison, the agencification wave in Ireland has not grown out of a "delegation of authority environment". Prior to agencification, managing at arm's length a large number of bodies with differing areas of responsibility was not part of the Irish Public Service culture. This may explain why the Irish government has taken little risk with delegating managerial autonomy to agencies.

Agencification and local government

Another unusual feature of the Irish system is the structure of local government. In Ireland, local governments have limited jurisdictions in comparison with local governments in other OECD countries. This partially explains the growth of local agencies with differentiated top governance arrangements.

To a certain extent, local agencies have been used as a way to increase local representation (with local government officials and sometimes local elected members being on the board of many local agencies) and to respond to local needs. In addition, Irish agencies often work in areas that have been devolved to local government in other OECD countries.

This may explain the high number of duplicate agencies at local level (approximately half of the 601 agencies surveyed as part of the CPMR Research Report). Out of 283 non-commercial local and regional bodies examined by CPMR, only two did not have duplicate functions, *i.e.* each organisation had a sister body performing similar work but in different geographical area.[14]

Number and type of agencies

In practice there is no widely accepted idea of what is or what constitutes an agency in Ireland.[15] This makes it very difficult to track the size of this sector or to analyse its impact. For example, no official Irish statistics are available for staff numbers in agencies in Ireland either today or 10 or 20 years ago. A survey by CPMR estimates that there are currently more than 500 non-commercial agencies in Ireland. Approximately 200 of them operate at the national level and the rest operate at the local level. Agencies vary significantly in size and budget, and it is unclear how much public funding they use for their own functioning, for further distribution or for investment. Neither is it known

exactly how many staff they employ. This lack of clarity is not unusual in the OECD, although many countries have made tremendous efforts at clarifying the situation – most notably the Netherlands, New Zealand, Spain and the United Kingdom (Box CS2.1).

It is impossible to assess whether or not the size of the agency sector resembles that of other OECD countries. This is due to, not only to the lack of data in Ireland and across OECD countries, but also the organisational "zoo" constituted by the agency sector across OECD countries that makes it difficult to compare sets of like institutions.[16]

At the national level, agencies operate in many areas of government policy including the important areas of health, education, justice and research. At the local level, CPMR distinguishes nine types of non-local authority agencies, comprising: harbour commissions, vocational educational committees, enterprise boards, partnerships, LEADER, regional fisheries boards, regional tourism authorities, development boards and childcare committees.

Box CS2.1. **The importance of agencies, authorities and other government bodies in a selected OECD countries (2002): Indicative comparisons**

In the United Kingdom, there are 131 executive agencies, employing over three-quarters of the Civil Service. In addition, as of March 2000, there were more than 1000 non-departmental public bodies, employing 115 000 staff and spending around GBR 24 billion a year.

In Spain, more than 51% of the federal budget is spent by government-related entities (including entities that provide goods and services for commercial transaction, but that are not state-owned enterprises, and including social security).

In Sweden, there are approximately 300 central agencies and only 2% of civil servants are employed in ministries rather than in agencies.

In France, there are approximately 1300 public establishments, created by national Government, and an estimated 50 000 created by local government.

In New Zealand, there are 79 Crown entities, employing approximately 80% of state sector employees and representing 58% of state expenses.

In Germany today, only about 6% of federal employees work directly with federal ministries, while 22% work in federal agencies and 40% are civilians working in the military.

Source: Distributed Public Governance, OECD, 2002.

Policy goals of agencification

The main government policy documents referring to agencies are set out in the *Devlin Report* (1969) and the Strategic Management Initiative (SMI), which cite the separation between policy making and implementation as an objective. Both remain vague, however, about managerial delegation and other objectives that are often associated with agencification.

There is no agencification plan in Ireland *per se*. Instead, agencies have been established on a case-by-case basis. As a result, the vision and policy goals behind agencification are unclear, and agencification seems to have responded to a multiplicity of implicit objectives – some of which are inconsistent – rather than to a strategic vision about the functioning and structure of government.

The review of agencification practices in OECD countries shows that clear objectives embodied in a specific governance structure are needed for the delegation of tasks to executive bodies. The OECD classifies the different goals in five categories including: 1) specialisation and focus on clients' needs; 2) managerialism and focus on outputs/ outcomes; 3) lighter administrative and financial rules; 4) policy independence; 5) policy continuity 6) participation of civil society and 7) collaborative partnerships.[17] In countries that have rationalised their non-departmental governance system, the model of agency governance varies depending on the combination of government goals (see section in this case study on governance below).

However, in Ireland, the objectives of agencification are unclear, mixed and not prioritised, resulting in sub-optimal governance structures. The situation today thus resembles that of a number of OECD countries before the 1980s-1990s, when agencies were created by delegation of authority to non-departmental public bodies such as with Crown entities in New Zealand, NDPBs (*Non-departmental public bodies*) in the United Kingdom, and ZBOs (*zelfstandig bestuursorgaan*) in the Netherlands, a phenomenon which has not been repeated since in subsequent waves of agencification.

In the CPMR report and in successive interviews carried out by the OECD, it is clear that a number of reasons, both explicit and implicit, have motivated the creation of agencies in Ireland including:

1. **Signalling and embodying new policy priorities** and showing that action is being taken quickly. Some officials have asserted in OECD interviews that the creation of agencies has been used to make increases in employment numbers and budget resources more acceptable to policy makers and the general public by placing them outside of the core Civil Service and, in doing so, circumventing the effective limit on Civil Service numbers. This situation seems to result from the difficult dialogue in government on the need to develop new capacity in some policy areas. In addition, officials do not seem to accept that increasing resources allocated to front line services through agencies requires increases in the allocation of funds to manage agencies from central departments. As a consequence, there is no existing dialogue on the management pressures created by the agency system, including whether additional resources are needed in the Civil Service for the oversight of agencies. Agencies have thus been seen as an easy way out of increasing bureaucracy, when building capacity actually requires a more complex approach.
2. **Involving stakeholders,** in particular local government representatives – mainly officials but sometimes local elected members as well. This is reflected in the fact that all Irish agencies have governing boards. The largest groups represented on the boards of agencies operating at the national level, are stakeholders and independent experts (approximately 30% each).[18] Local level agencies' boards tend to comprise stakeholders and local authorities representatives nominated to serve on boards (more than 30% each).
3. **Providing executive bodies with managerial flexibility, bringing in specialised skills, and allowing more performance focus.** While there is no doubt that the increased complexity of government tasks has justified employing new people from outside the Public Service, there are ways less disruptive than agencification to obtain such skills. There is, in fact, little evidence that agencies have been used in Ireland for the purpose of improving performance focus and managerial flexibility (see below).

4. **Co-ordinating government policies at the local level.** The CPMR report mentions that "almost a third of local agencies (not including local authorities) identify co-ordination as their primary function, indicating either a high diffusion of activity at local level, or else a concern over possible duplication of activity".[19]
5. **Responding to European Union requirements related to the independence of regulators.** While very important in terms of government decision-making, agencification driven by EU requirements is a relatively minor aspect of the overall growth in agencies. While their impact can be very significant, independent regulators manage a very small part of Government funds and have relatively few staff.

Apart from the co-ordination of government policies at the local level (no. 4 above), the reasons for agencification in Ireland are similar to those in other OECD countries, though the prioritisation of reasons may differ. In many OECD countries, agencies have been much more strictly created to provide bodies with managerial flexibility and greater focus on performance. In addition in Ireland, the goals of agency creation are seldom made explicit leading to difficulties – as will be shown later in this case study – in setting priorities and in matching governance structures to objectives.

Issues: Governance of agencies

The differences in the quality of governance and the relationships between agencies and departments across government sectors have been frequently mentioned in OECD interviews with agency and department officials. While these observations remain anecdotal and are based on individual interpretations, some agency heads report having a high quality dialogue on targets and achievements between departments and agencies, while others report having almost no dialogue on these issues. While certain disparities cannot be avoided in a government, variations in Ireland seem to be due to an unclear understanding on the part of departments of the need to develop a systematic dialogue with agencies on performance as part of their oversight responsibilities, and how to go about setting up such a relationship. It is likely that the governance of agencies has been left too much to individual capacity and interpretations.

Matching the organisational form to the reasons for agency creation

As mentioned earlier, there are neither formal nor informal criteria for establishing agencies in Ireland, either at the national or local level. The *Code of Practice for the Governance of State Bodies* of the Department of Finance does not include recommendations on when or how agencies should be established, for what government function, and with what governance structure. The option to establish an agency can be put by the head of a line department to the relevant Minister as a way of responding to a service delivery issue or resolving a policy challenge. In other cases, the creation of an agency can be initiated by a Minister or through a Social Partnership agreement.[20] Finally, members of the Oireachtas may suggest the idea of an agency or statutory body in response to discussions or debate on policy issues. Such proposals may be made on the floor of the Dáil or Seanad, or they may be suggested in reports of individual Oireachtas Committees.

In all cases, however, the final decision regarding the establishment of an agency is subject to the approval of Cabinet, and this decision is based on a memorandum submitted by the relevant line Minister. The memorandum considers issues about the agency's remit, location, and staffing and resource allocation. New regulatory agencies are subject to a

regulatory impact analysis. Informed discussions on how to best match organisational form and governance structure to the function of a new agency, however, do not seem to be taking place. Officials also note that agencies continue to be created despite the informal policy of "moratorium" on the creation of new agencies.

This situation has led to an organisational "zoo" where citizens, private firms and government have little clarity on how the Public Service operates. The proliferation of organisational forms with different governance arrangements, the lack of logic in the control environment and the absence of investment in steering capacity have hindered line departments from developing a proper steering relationship with agencies. Some officials in the education sector speak of a "big organisational mess" in primary education, in reference to the large number of quangos (*quasi-autonomous non-governmental organisations*) that were established to deal with different issues in primary education (*e.g.* education bodies but also health bodies, childhood bodies, etc.). The devolution of school planning has resulted in a network of relations between individual school boards and quangos. This is seen by some as quite inefficient given the fragmented nature of the Irish school system in which most boards are responsible for an individual school (see case study on School Planning).

This problem is not particular to Ireland alone, and a number of OECD countries have made efforts to reorganise their agency zoos. The most notable example is New Zealand. The Crown entity reform of 1999 had two main strands: 1) organisational design, *i.e.* alignment of the entities to specific organisational forms; and 2) governance and accountability, *i.e.* the best arrangements to give effect to given functions in a particular form. Other countries, such as the Netherlands and the United Kingdom, also made efforts during the agencification wave of the 1990s and 1980s. According to OECD research, this framework is common among OECD countries. Box CS2.2 outlines principles and criteria for choosing the proper organisational form based on its objectives and type of activity.

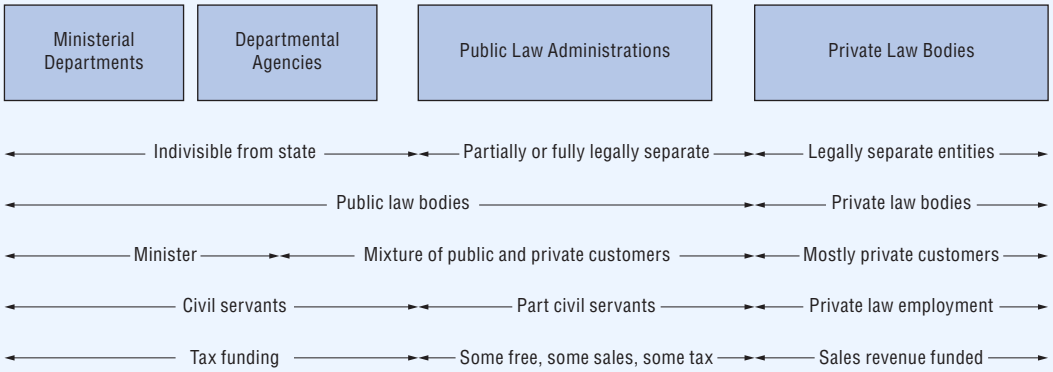
Two major lessons can be drawn from analysing the practices of other OECD countries; both are relevant for Ireland:

1. Organisational zoos need restructuring to provide institutional clarity and to build strong steering relationships. This reorganisation first has to review the function of the agency. Once this is clearly defined, the government can choose the appropriate governance structure. Table CS2.1 provides a general framework of choice drawn from the practices of OECD countries.
2. When agencies are created to achieve greater focus on clients' needs and on outputs/outcomes, having a differentiated top governance structure with a governing board (as opposed to traditional single reporting relationship between an agency head and his/her hierarchy in a ministry) is not necessary, but significant management autonomy is needed (Table CS2.1).

The further agencies sit from central departments, the more sophisticated the governance system, and the more capacity they will require. When establishing an agency, the government should chose a governance structure that resonates with the one employed by the relevant parent department. The agency governance arrangements and reporting relationships must also fit the underlying rationale for its creation. The latest waves of agencification in OECD countries have favoured the creation of what the OECD has called "*departmental agencies*", bodies that are not legally separated from the Civil Service in the Irish context, and therefore are similar to today's Executive Agencies. They

Box CS2.2. **Indicative classification of different central government organisational forms in OECD countries**

Figure CS2.1. **Executive central government**[1]



1. This graph is a simplified version of the graph presented by Derek Gill.

i) Private Law Bodies (PLBs) – Match Commercial to Commercial Principles

Placing commercial activities in government enterprises can improve performance, particularly when accompanied by budgetary and regulatory reform.

ii) Public Law Administrations (PLAs) – Governance, Legitimacy and Independence Principles

PLAs (*Public Law Administrations*) can improve **performance** when a governance board provides strong leadership and effective monitoring and/or a differentiated control environment is better tailored to the entity's function.

The **legitimacy** of decision-making can be improved through involving external expertise or broader civil society or through using organisational form to signal independence.

The **governance** environment will need to be tailored for the different imperatives for establishing PLAs and the functions that they undertake.

iii) Departmental Agency – Cohesive, Delegation and Focus Principles

Departmental agencies are bodies that are not legally separated from the State. Using this form can improve performance through better focus and more performance contracting when there is a cohesive functional grouping of tasks predominantly delivering tangible services.

iv) Ministries – The Residual Principle

Ministries are the preferred organisational form for policy development and all multifunctional activities. It is the default option unless 1-3 above apply. When interconnectedness and salience are high, the task is not durable and measurability is low, then the Ministry is preferred.

Source: Derek Gill, "Signposting the zoo – from agencification to a more principled choice of organisational forms", in OECD Journal on Budgeting, Volume 2 Number 1, 2002, and draft paper prepared for OECD experts meeting in 2002.

have no governing body, but plenty of managerial autonomy (Box CS2.2). OECD governments have thus learnt to be modest in their ambitions and to focus on providing new agencies with a governance structure that allows for a better focus on clients' needs, as well as on outputs and outcomes. They have avoided establishing structures that would serve potentially conflicting goals such as both increasing focus on performance and involving stakeholders through management boards.

Table CS2.1. **Matching agency governance and institutional features with the reasons for their creation**

Organisational features reasons for their creation	Differentiated top governance structure (board/no board, etc.)	Differentiated control environment (partially or completely relaxed management, financial and personnel rules)	Management autonomy
Specialisation and focus on client needs	Possible	Possible	Required
Managerialism and focus on outputs/outcomes	Possible	Possible	Required
Lighter administrative and financial rules	Possible	Required	Required
Policy independence	Required	Not required	Possible
Policy continuity	Required	Possible	Possible
Civil society participation	Required	Possible	Possible
Collaborative partnerships	Required	Possible	Possible

Source: OECD, *Distributed Public Governance*, 2002, p. 15.

In the Irish context, moving towards departmental agencies is not a step that should be taken alone and out of context from other recommendations provided in this report, in particular the need to rethink the relationship between the Civil and the rest of the Public Service and to increase mobility across the Public Service (see chapters on Capacity and Governance).

In the past twenty years, "*PLAs/PLBs* (Public Law Administrations/Private Law Bodies – (see Box CS2.2 for description) have lost their comparative advantage as management systems within the core public sector. Departmental agencies have appeared in almost every country as a preferred way of providing managerial autonomy to government bodies. Increasing management autonomy has thus been the main policy goal in the majority of OECD countries that have undergone agencification. This has resulted in agencies with large degrees of managerial autonomy, little policy autonomy, and no governing board (Box CS2.3). In recent years, Finland, for example, abolished its governing boards to prevent the "mission creep" of agencies. There are three main reasons for this:[21]

1. Creating governing boards raises difficulties such as ensuring nominations and remuneration mechanisms for both board members and top executives and an appropriate separation of responsibilities between Ministers/ministries, senior management and board members. They can also interfere with effective monitoring by line ministries.
2. The differentiated control environment with relaxed financial and personnel rules (coupled with the differentiated top governance structure) has occasionally resulted in inadequate financial management controls and inequity across the Civil Service.
3. PLAs and PLBs are less subject to mission and budget allocation changes and are more difficult to close down than a more integrated government structure.

In contrast, Irish agencies would be classified as PLAs, with governing boards, separate legal identities from that of the State, and with few civil servants as employees. Agencification in Ireland is primarily motivated by policy independence, the separation of policy and implementation functions, and the provision of representative boards, with only implicit objectives of improving performance and increasing flexibility.

The lack of clarity in Ireland regarding the motivations behind agency creation (see section on policy goals) gives rise to three major problems, which are a result of the inconsistency between agencies' organisational form and the goals of agencification:

1. **Inconsistent or unclear weight is given to the different policy goals underlying agencification.** This results in agency governance structures and practices that are inconsistent with the latest OECD practices. For example, while participative management, co-ordination, and visibility of policy priorities are well served by the governing board structure, the resources given to agencies, and flexibility and focus on performance are not clearly reflected in the machinery of the agency system (see below).
2. **Many agencies would benefit from a governance structure that helped them focus on improving performance and achieving outputs/outcomes as their primary objective.** Many Irish agencies are working in areas that are clearly delineated, have few products, and have relatively easily identifiable performance objectives and measurement criteria. The governance structure of a "departmental agency" – with large managerial autonomy, but little policy independence and clear hierarchical relationships to line departments as part of the Civil Service (Box CS2.2) – fits better these types of agencies.
3. **The local co-ordination function of local agencies duplicates the function of the City/ County Development Boards (CDBs)** which were established in 2000 and involve representatives from four key sectors: local government, local development, the Social Partners and state agencies.[22] This has made redundant the local co-ordination role of many local agencies, almost one-third of which view co-ordination as their main role. Given the need for improved co-ordination arrangements at the local level, there is a major opportunity for reorganisation by reducing and better rationalising the number of agencies with local co-ordination functions.

In Ireland, the establishment of an overall governance framework for agencies would require rethinking the organisational form of service delivery as a whole, deciding what functions in principle should remain in central departments, what functions should be devolved to local authorities, and what functions should be carried out at arm's length from the Civil Service. Once this is specified, sub-categories of agencies would need to be distinguished, with clear delineations on the employment status of staff, regulations on reporting requirements and delegation of authority. The types and decision-making powers of boards would also need to be determined according to the kind of agency.

Autonomy and performance focus

In OECD countries, agencification has been used to distance organisations from central management rules and practices in order to give them increased flexibility to achieve policy objectives negotiated with line departments. Providing managerial autonomy to arm's length bodies has therefore been the main reason for agencification in most OECD countries over the past 20 years. Although there is scant evidence on improved performance through autonomous agencies (a common challenge for all public management processes and machinery of government), OECD countries report that agencies provide better focus, increased management on performance, and development of innovative practices.

Across OECD countries, managerial autonomy has increasingly led to mission creep and fragmentation of service delivery. Countries have made adaptations in response, but no country has actually decreased significantly the number of its agencies in the recent past; neither have they reduced the managerial autonomy of their agencies. Countries

Box CS2.3. **Agencies and boards: Trends in OECD countries**

Historically, a large number of government non-departmental bodies which have been created on a case-by-case basis have a governing board with representatives from government and other parts of society, *e.g.* non-departmental public bodies in the United Kingdom, public establishments in France, agencies in Sweden, government corporations in the United States, semi-autonomous bodies in Spain, Crown entities in New Zealand, ZBOs in the Netherlands and indirect federal administration in Germany.

Boards are used both to improve the responsiveness of non-departmental bodies and to provide seats for local governments, private sector and civil society. Although the organisational coherence of the board principle across OECD countries is not always clear, in general, boards are used for: 1) non-departmental bodies that can be managed from a distance with large degrees of managerial autonomy; and 2) when the agency functions under private law. In addition, the composition of boards, including the presence of representatives from ministries of finance and line ministries, and the role of the Chief Executive in the board varies tremendously depending on the entity. In general, the further it is from line ministerial control, the more independent the board tends to be.

It is important to note, however, that the OECD trend leans towards "advisory-only" boards or boards with limited responsibility. This is already the case for most agencies in Sweden. The most recent waves of agencification have not included additional governing boards. Most executive agencies in the United Kingdom only have "Ministerial Advisory Boards". In Canada, Service agencies do not have boards, and special operating agencies in Canada only have advisory boards. Agencies in the Netherlands do not have boards.

In the past twenty years, countries have tended to separate issues of representation and performance management. Agencies have been established to improve the performance focus of government and this has required considerable investment in government capacity. Making the Public Service more representative has been achieved through consultation with citizens and greater devolution to local government rather than through the creation of agency boards.

have preferred instead to invest in the steering relationship between line ministries and agencies, and in better performance management. In order to limit mission creep and fragmented and divisive policies, countries have given autonomy to agencies that remain "departmental" in essence, that have clear hierarchical relationships to line departments and no governing boards. This is opposite to the approach to agencies that has been taken by Ireland.

Managerial autonomy

On the financial side, although agencies rely heavily on direct budget allocation in Ireland, the CPMR research reports that they retain a certain autonomy in spending, with a majority of agencies being able to shift their budget by function and to set charges (either with or without departmental approval). Few, however, have the authority to shift their budget between different years.

In the area of human resource management, agencies' autonomy remains mainly limited to practices that permit a more diverse set of skills at entry than in the Civil Service, for example in the areas of recruitment and development and dismissal. In general, however, agencies exercise very little discretion over their number of employees or the

grades and pay levels of their employees. These issues are decided upon mostly by the Department of Finance with strong input from unions.

Once agencies are established, they often experience major difficulties renegotiating with their parent department and the Department of Finance, the staff numbers and financial allocations that were determined at the moment of their creation. As a result, most agencies operate with a fixed set of resources, regardless of need, performance or changes in policy priorities.

Increased managerial flexibility would include flexible budgeting between years and the removal of more *ex ante* controls on spending. It would also include flexibility in allocating funds between different types of spending, and most importantly, between personnel and other expenses (or at the very least, within personnel expenses, decision over staff numbers and pay levels). Managers can then focus on performance and adapting their management to local needs.

Managerial capacity

The transition to more managerial flexibility must be carefully managed especially in a country where many of the agencies have been created *ex nihilo*. In the Irish context, more managerial flexibility should be provided only after the management of agencies fulfils some strict conditions. These conditions include demonstrating capacity in strategic management, financial management, auditing and accounting. The transition towards agencification in the Netherlands could be a source of inspiration for Ireland (Box CS2.4).

In Ireland, managerial delegation conditions should build on the evaluation mechanisms already in place in agencies, which includes Value for Money (VfM) Reviews and the Performance Verification Group (PVG) process.

Finally, if governing boards are maintained, further delegation will require that boards are more professionalised. If boards are to be maintained as effective governing bodies, board nomination needs to be treated as a human resource management issue and capacity should be dedicated to improving the nomination process and searching for the right profiles. In the move towards focus on performance, the parent department should sit on the agency board. Finally, further delegation will require improved managerial capacity and increased mobility between departments and agencies at senior management level. The section on building capacity for senior management is particularly relevant to this case study (see chapter on Capacity).

Policy autonomy

Although the situation varies considerably across the different types of agencies, the CPMR reports that agencies have a relatively high level of autonomy in the way they implement government policies, *e.g.* in setting target groups and in choosing policy instruments. Moreover, the CPMR also confirms that agencies *de facto* play an important, albeit not core, role in providing policy advice to line ministries.[23]

Cascading targets between departments and agencies so far seems to work. Targets are initially set out when establishing the agency, and subsequently through Strategy Statements/Business Plans which focus on long-term objectives, government policy, etc. Social Partners may be involved in consultation processes on policy, but this usually happens centrally (*i.e.* in the parent department), as the agency is charged primarily with service delivery/implementation.

Box CS2.4. **Establishment conditions for agencies in the Netherlands**

In addition to setting laws governing the creation of agencies, the Dutch Government has put in place procedures for the creation of new agencies. These lay down requirements that must be fulfilled by a potential agency in order to obtain the formal status of agency. Successful fulfillment of these requirements is determined by the Council of Ministers, based on the advice of a supervisory agencification team that consists of experts from the Ministry of Finance and from the Ministry of Home Affairs and Kingdom Relations. These requirements include:

i) *Having an unambiguous management model*. The environment is mapped out in terms of roles (*e.g.* owner, principal, contractor, banker, client and supervisor) and responsibilities (*e.g.* decisions, payment and earnings). In addition, financial and data flows are coupled to this schema. This condition is intended to set up an unequivocal management model for agencies.

ii) *Having measurable products, services and quality indicators*. This condition provides clarity in results-oriented management of the agency.

iii) *Describing the operational processes*. The description must clarify the connection between the internal planning and monitoring cycle, the identified products and services, and the applicable cost prices.

iv) *Setting up a cost price model that links the identified products and services with the expenditure ascribed to the periods*. The cost price model provides insight into how to offer cost-effective products and services.

v) *Establishing a system promoting efficiency that clearly stipulates from the start the criteria on which to base assessment of efficiency in the results-oriented management model, combined with the revenues and charges system*.

vi) *Having an internal, results-oriented planning and control cycle, and harmonised the external planning and control cycle*. It is necessary that management and control rules by the agency are in line with those of the parent ministry.

vii) *Formulating policy with regard to risk*. The aim of this condition is to agree in advance on possible risks and clarify responsibilities of both the parent ministry and the agency.

viii) *Drawing up an opening balance in order to decrease the risk of late or incomplete opening balances*.

ix) *Drawing up a plan for a robust financial management system*. Agencies need more sophisticated financial management than ministries. They must clearly state the measures needed to ensure that their financial management is adequate for a results-oriented management model.

x) *Having a statement of approval from an accountant*. Although it does not provide any real guarantees on the structure of financial management, it is a condition requested by the Lower Chamber. The absence of the report usually means that the improvements to be made are so extensive that there would not be enough time to implement them.

xi) *Having a trial run in a results-oriented management framework in order to ensure the accuracy of products and services that have been identified for the internal and external planning, and monitoring cycles*.

xii) *Having undergone a trial run with accrual accounting in order to ensure that some experience of modern accounting has been acquired so that the chances of major problems in financial management are reduced*.

Source: Ronald Van Oosteroom, Distributed Public Governance: Agencies, authorities and other government bodies in the Netherlands, *OECD Journal on Budgeting*, Volume 2, Number 1.

The cascade of targets seems to follow a consistent approach, with officials reporting well-articulated contributions on how to achieve clear sector objectives. The process of target setting, on the other hand, seems loose, with limited formal dialogue between departments and agencies. With little importance placed on performance reporting and very little managerial flexibility, a good cascade of targets remains a paper process. The other difficulties with target setting cited in the CPMR report – such as the difficulty in establishing non-financial targets and their measurement – are in-line with international experience (see chapter on Performance).

While autonomy can allow an agency to develop effective and innovative methodologies to deliver services, in some instances this can also give rise to difficulties. The public cannot always differentiate between the agency delivering the service and those responsible for making the underlying policy decisions. While agencies may be feeding information and data into policy considerations, there can be a disparity between initial suggestions and final policies set at Ministerial or Cabinet level. This situation is not unusual, and, at the end of the day, it is the Government's decision. In a highly autonomous setting, however, where governance structures between departments and agencies are weak, mission creep can occur and agencies can become vocal advocates or lobbyists for change. This can lead to situations where they can oppose the views of the government, or of their parent department.

Performance focus

Reporting performance targets is a neglected area in the governance of agencies in Ireland. There is great variability in the extent to which agencies have put performance measures in place, as only line departments have an explicit obligation to produce Output Statements to the Department of Finance as part of their budget submissions.

There seems to be a discrepancy between the constant and well-developed financial reporting by agencies to their line department and to the Department of Finance, and the more customary and less developed reporting on policy targets. The CPMR report mentions that 61% of agencies (out of the 93 covered in their survey) reported on how non-financial targets are met. What is more striking is that from the interviews carried out by the OECD, it became clear that there is no dialogue on target reporting, rather it is perceived as a formal process with little importance in the relationship between agencies, parent departments and the Department of Finance.

Reporting and dialogue on performance targets tends to take place with boards or internally within agencies. Line departments and the Department of Finance are left out of the picture. Although reporting on performance targets also takes place through annual reports, and in some cases with line departments on an informal basis, there does not seem to be a long-term formal conversation between departments and agencies on agency performance.

Parent departments have difficulty identifying their role in relation to the agencies. Sector departments underline the need for guidance on how to evolve away from input and process controls towards better monitoring of performance. In order for departments to maintain the cascade of objectives between whole-of-government, department, and agency objectives, they will need to feed reported achievements back into the cascade and allocate resources strategically. To do so, they need to better analyse the linkages between costs (including personnel) and the actual outputs and outcomes of agencies. Officials from agencies report that they have little strategic discussion with their parent ministries and that most of the dialogues with line ministries are on issues of staffing and funding.

Parent departments could enhance their capacity to monitor performance by creating an internal whole-of-department agency performance review process. They could provide agencies with a formalised long-term, in-depth dialogue on the achievement of objectives that feeds the whole-of-department process. As experienced by other OECD countries, this long-term strategic dialogue has to be handled by senior staff from departments, who should be seen as "peers" by agency heads. In the United Kingdom, for example, this has been partially resolved through the Fraser Figure, a senior official in the department assisting the Minister in its role in relation to agencies.

For this to happen, departments need to trust one another. In particular, there needs to be more trust between the Department of Finance and line departments, and between departments and agencies. The delegation of authority will only take place if parent departments become the real empowered interlocutors of agencies. This requires improved relationships between Department of Finance and line departments. In parallel, there is also a need to reinforce trust between agency managers and parent departments. Employment frameworks for agency and departmental managers need to be aligned as part of overall efforts to promote whole-of-government careers.

Monitoring necessitates that line departments have the capacity to conduct regular reviews of agency remits, their financial allocation, their management rules and reporting requirements. While rewards and sanctions can be difficult to implement in practice, it would be interesting for Ireland to devise a mechanism where a well-managed agency is rewarded by the allocation of more managerial flexibility. This would be similar to the transition process towards agencification in the Netherlands.

The issue of formal sunset clauses and review provisions in legislation for agencies is a complex matter. While theoretically sunset clauses are logical for entities established to perform a time-bound mission, this situation is relatively rare. Formalising the need for reviews may result in unnecessary or ill-timed reviews. This issue was reviewed as part the work on the Crown entity bill in New Zealand in 2001-2002. They concluded that sunset or review clauses would not apply to all entities or groups of Crown entities, but that the minister responsible for the Crown entity would have a general responsibility and power to review individual entity performance.

Conclusion

Agencies have given the Irish Public Service additional capacity and flexibility to deliver services during a time of major growth in public spending and increased citizen expectations. In addition, agencies have allowed governments to involve more stakeholders in participative management, to bring needed skills into the Public Service, and allowed the Government to increase the number of staff working in the Public Service without giving the impression of building up a "bureaucracy".

When compared with international experiences, however, agencification in Ireland may have set out to achieve too much: participative management, co-ordination of policies at the local level, and a focus on results and performance. At the same time, agencies have not been given the right kind of autonomy they need to be really performance-oriented, nor have sufficient governance mechanisms been developed to ensure that they stay connected to the overarching strategic policy objectives of their parent department. This can be explained, in part, by the centralised culture in the Irish Public Service, by its organisational structure and by the limited role of the local government sector.

Ireland seems to be in an ambiguous position when compared with other OECD countries that have carried out extensive agencification. Agencies have a high degree of policy independence, but little managerial capacity. Ireland has sought to avoid mission creep and the implementation of fragmented and divisive policies by keeping a tight managerial control over agencies, although the autonomy of boards has led to challenges in this area. This systemic coherence is rather unique, but is sub-optimal in terms of service delivery and does not serve a performance objective.

There is little doubt, however, that, given the board structure, the provision of additional managerial autonomy to agencies must be managed with extreme caution. International comparisons show that governing boards are difficult to manage in service delivery areas, and that apart from the regulatory field, gains can be achieved through agencies only when they have large degrees of autonomy combined with a healthy steering from line departments. These conditions are not fulfilled in Ireland today.

At the local level, inefficiencies seem to arise from the co-existence of weak local government with a direct accountability relationship to a line department and little autonomy, and the presence of local agencies reporting to other departments. In addition the City/County Development Board (CDB) structure essentially duplicates the co-ordination function of local agencies. This results in a need for superfluous co-ordination in a relatively small country. In so far as the creation of agencies with a local brief or one involving local co-ordination is concerned, these should be exceptional given the existence of local government structures and especially the existence of CDBs. Ireland would be more in line with other OECD countries if it were to strengthen local government in service delivery.

With the urgency to create new capacity now past, there is an opportunity to rethink the agency system and take full advantage of this organisational form while ensuring its sustainability. Ireland needs to focus on devising a clear rationale for establishing agencies. It needs to prohibit their creation solely for increasing resources and personnel allocated to a new priority. Instead, when a new priority emerges, it would be advisable to carry out a review of departmental mandates. Strategic decisions regarding the creation of an agency should be made only following an assessment of personnel and capacity needs, as well as the most appropriate type of governance structure given the agency's objectives.

The Public Service needs to better match the purpose of existing agencies with their function in order to devise a more adequate governance structure. The governance structure, however, should not be overambitious, but rather, limit its priorities. Most importantly, a choice needs to be made, at least temporarily, between the need to increase performance focus and the need to improve representation and co-ordination. Priorities can differ by sector, and different types of agencies can emerge with different governance structures in response to different needs, especially depending on whether agencies tend to have a national or more local focus. For this to work, it will be important to increase agencies' managerial flexibilities, under the strict conditions that departments improve their monitoring capacity, that agency boards be further professionalised and that reporting on performance is made core to agency reporting.

These changes will require the Public Service to improve its own capacity to carry out a dispassionate dialogue on resource allocation when new priorities arise. This includes recognising that new priorities, even when delegated to an agency, require increased monitoring capacity in line departments. While the Civil Service can always make productivity gains to cover these additional responsibilities, there are signs that current resources allocated

to monitoring arm's length delivery are inadequate. Investments in capacity may involve new staff, or better processes, or increased training dedicated to these specific needs (see chapters on Capacity and Performance).

OECD countries, such as the Netherlands and the United Kingdom, report that agencies can be the drivers for wider changes in their departments and in the government as a whole. Indeed, they tend to be pioneers and innovators in public management. In Ireland, agencies should be employed to further develop results-based management. This is imperative if agencies are given additional flexibility. As mentioned above, this will require establishing formal and professional long-term performance dialogues between agencies and parent departments. For performance management to function, it needs to be commonly understood as a process of discussing and setting targets, and using evaluation to establish links between inputs and processes, and outputs and outcomes. Internally within agencies, it is important that organisational performance is linked to staff performance management in terms of targets and achievements, and also in terms of overall human resource management. It is indeed very important that organisational performance, recruitment, promotion, development, competency management, incentives and sanctions all be interlinked with performance management.

The management of agencies would benefit strongly from the establishment of a single senior management system that includes both department and agency senior management (a Senior Public Service), and a government-wide mobility system between agencies and central departments (see chapter on Capacity). For such a system to function, however, it is crucial that the gains achieved in bringing new skills to government are maintained. Lateral entries to senior management posts should thus be increased so that management and leadership skills are brought into the system.

While the role and place of boards should probably evolve as agencies are given more managerial autonomy in exchange for stronger reporting requirements on performance, it is still important that nominations to boards become a clear human resource management issue. Capacity dedicated to improve the nomination process and search for the right profiles is also needed.

Box CS2.5. **Key recommendations**

With the urgency to create new capacity now past, there is an opportunity to rethink the agency system to take better advantage of this organisational form. This will require putting in place a performance dialogue between departments, agencies and the Department of Finance, strengthening the governance framework of agencies and increasing their managerial flexibilities. It will also require an improvement in the departments' monitoring capacity and professionalisation of the management of agencies and their boards.

Performance: Improve the performance focus of agencies

Place focus on performance: The input-focused dialogue between agencies, departments and the Department of Finance should be replaced by a formal and professional long-term performance dialogue, which entails a process of setting different types of targets and evaluation, and making links between inputs, processes, outputs and outcomes. Internally, this dialogue between departments and agencies should have linkages with individual staff performance management systems, and most importantly, with senior management.

Box CS2.5. **Key recommendations** *(cont.)*

As part of this process, the government should extend the department output statement framework to include agencies.

Increase managerial flexibility: The value added by agencies is less a result of their policy autonomy and more a result of their performance focus. Performance focus is enabled by the managerial flexibilities of agencies. This includes: flexible budgeting between years; the removal of more *ex ante* controls on spending; and flexibility in allocating funds between different types of spending and, most importantly, between personnel and other expenses (or at the very least, within personnel expenses, staff numbers, and pay levels) (see related recommendation under Capacity below).

Reward good management in agencies with more managerial flexibility, building on the evaluation mechanisms in place such as VFM reviews and the PVG process, as well as the process for the multi-annual capital investment programs and the revised capital appraisal system.

Governance: Review the government agencification framework

The establishment of an overall governance framework for agencies will require that the government *rethink the organisational form of service delivery as a whole,* deciding what functions in principle should remain in central departments, what functions should be devolved to local authorities, and what functions should be carried out at arm's length from the Civil Service.

Match governance structure with agency objectives: When establishing an agency, the government should chose a governance structure that resonates with the one employed by the relevant parent department. Many Irish agencies are working in areas that are clearly delineated, have few products, and have relatively easily identifiable performance objectives and measurement criteria. The governance structure of a "departmental agency" – with large managerial autonomy, but little policy independence and clear hierarchical relationships to line departments as part of the Civil Service (Box CS2.2) – fits better these types of agencies.

Establish clear guidelines and criteria for agency creation: Devise a clear rationale for establishing new agencies and for operating existing ones. The new agency rationale should prohibit the creation of agencies solely for increasing resources and personnel allocated to a specific policy priority. If a capacity need is identified in a sector, a review of the relevant departmental mandate should be carried out first. The decision to create an agency should only be made following an assessment of personnel and capacity needs, and of the best type of governance structure needed to conduct government policy in this area.

Strengthen local government service delivery and reinforce the co-ordination role of County/City Development Boards. Local agencies seem to have been used to make up for some of the weaknesses of the local government system, which is not sustainable in the long run, and has led to large-scale duplication of roles. Prior to the establishment of a new organisational entity with a mandate to deliver or manage funding or services at local level, the allocation of these tasks to local government should be considered. This consideration should take into account the resource implications involved, the objective of minimising additional layers of administration and the avoidance of creating new organisational entities where existing structures can be utilised.

In order to reduce mission creep, *rebalance the autonomy of agencies between policy and managerial autonomy in favour of more managerial autonomy*. This will require reviewing the need for a participative board structure, and increasing the capacity of both agencies and central departments in order to manage the complex agency system.

Strengthen government decision-making capacity on strategic priorities: The poor agency governance system reflects, in part, the need to reallocate resources within the Civil Service to priority policy areas, oftentimes to the detriment of oversight and reform capacity. Improved planning for long-term strategic priorities need to be established that can anticipate and make linkages between the need for increased frontline service delivery and accompanying management and oversight.

Box CS2.5. **Key recommendations** *(cont.)*

Capacity: Improve HRM capacity and strategic capacity in HRM

Increased managerial flexibility for Irish agencies should be provided only after *agencies acquire confirmed capacity in strategic management, financial management, auditing, and accounting*. The criteria such as those laid out by the Dutch government for the creation of new agencies in the Netherlands might be used as an example (Box CS2.4).

Enhance capacity for developing performance measures: In many cases, departments and agencies do not have the expertise to develop performance measures and monitor performance. The capacity to conduct policy evaluations is also underdeveloped. This capacity should be strengthened by investing more manpower, by using private sector consultancies, and by increasing public servants' awareness of performance issues through training. A significantly expanded technical assistance role could be given to the Department of Finance.

In particular, *guidance should be provided to departments on how to move away from input and process controls towards better monitoring of performance*. Parent departments should enhance their performance monitoring capacity by creating an internal, whole-of-department agency performance review process, and by providing agencies with a formalised, long-term, in-depth dialogue on the achievement of objectives. Departments also need to make a significant effort to better analyse the linkages between costs (including personnel) and the actual outputs and outcomes of agencies.

Improve board capacity: Agencies in Ireland have a relatively unique board management structure. While the role and place of boards should evolve as agencies are given more managerial autonomy in exchange for stronger reporting requirements on performance, it is important that nominations to boards should become a clear human resource management issue with efforts dedicated to improve the nomination process and search for the best candidates, including through a competitive process.

Notes

1. Non-commercial state bodies in Ireland would also be considered agencies.
2. Recent examples of international research on agencification include:
   - Pollitt, C. and C. Talbot (2004).
   - Gill, D. (2002).
3. Schick, A. (2002).
4. Laking, R. (2005).
   - OECD (2002a).
5. McGauran, A., K. Verhoest and P.C. Humphreys (2005).
6. MacCartaigh, M. (2007).
7. In its report on the corporate governance of regional and local public service bodies in Ireland, CPMR includes the analysis of local authorities. The OECD has excluded these bodies from its analysis.
8. Devlin, L. *et al*. (1969).
9. OECD (2005c).
10. Excluding personnel in the embassies of the Ministry of Foreign Affairs.
11. OECD (2002a), p. 183.
12. Based on Central Statistics Office data for Septemb er 2007 (see Table 3.2 in Chapter 3). Using Department of Finance methodology with a more limited definition of the Civil and Public Service, the civil Service makes up 13.5% of the Public Service (Table 5 of the Revised Estimated Volume for 2008).

13. Although it should be noted that some functions had been carried out under different organisational forms, possibly in an informal manner or by a non-governmental or other sectoral body.

14. MacCartaigh, M. (2007), p. 13.

15. The CPMR report, for the purpose of the study, defines an agency as "a public sector organisation that has the following characteristics:
    - is structurally differentiated from other organisations;
    - has some capacity for autonomous decision making;
    - has some expectation of continuity over time;
    - performs some public function;
    - has some personnel and;
    - has some financial resources."

    "The term 'agency' includes not just commercial and non-commercial semi-state bodies (SSBs). It also includes bodies that have some autonomy from their parent department yet are nevertheless staffed by civil servants (such as the Office of Public Works, the Office of the Revenue Commissioners, and the Labour Court), as well as bodies that may be purely advisory albeit permanent in character; which are organisations usually excluded from the definition of SSBs. However, when seeking to operationalise the above definition for the first time within an Irish context, it is still necessary to add a number of further, specific qualifying criteria. For example, and for the purposes of this study, Irish public sector agencies do not include:
    - The Office of the Houses of the Oireachtas.
    - Government departments/offices that have direct ministerial level representation in Cabinet.
    - Local/regional offices/branches of civil service departments/offices.
    - Cross-departmental teams.
    - Tribunals of inquiry.
    - Task forces.
    - Non-statutory advisory committees.
    - Judiciary.
    - Defence Forces.
    - Garda Síochána.
    - Coroner's Service.
    - Sheriff's Service.
    - Town councils.
    - Individual hospitals and educational institutions.
    - Cooperative societies and voluntary organisations.
    - European institutions and international organisations (apart from those established following the 1999 Belfast Agreement)."

16. OECD (2002a) and D. Gill (2002).

17. *Distributed Public Governance*, synthesis report.

18. MacCartaigh, M. (2007), p. 108.

19. *Ibid*., p. 48.

20. The latest Partnership Agreement, *Towards 2016*, suggested the inauguration of the Dublin Transport Authority and an Office for the Director of Employment Rights Compliance.

21. OECD (2002a), p. 23.

22. The core function of the CDBs is to draw up and oversee the implementation of an agreed "Shared Vision" or Strategy for their respective counties and cities. The National development Plan and the Partnership Agreement *Towards 2016*, recognises the necessity to reinforce CDBs. Work is under way to determine a strategy in this direction.

23. McGauran, A., K. Verhoest and P.C. Humphreys (2005), p. 114 and p. 117.

ISBN 978-92-64-04325-1
OECD Public Management Reviews : Ireland
Towards an Integrated Public Service
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Case Study 3

Local Waste Management in the Local Government Sector

This case study reviews the regulation and provision of municipal waste management services in Ireland and assesses its implications for the Irish Public Service. The shift from public service provision by local authorities to an increased involvement of private enterprises in the waste management market raises concerns about "cherry picking" *i.e.* the selective servicing of the most lucrative markets, and the delivery of environmental and social public goods. It also raises concerns over the dual role of local authorities as both regulators and service providers. This case study gives a brief overview of the context of waste management in Ireland, the main policy goals, the main actors and inputs, outputs and outcomes for the public, and the planning and implementation issues that are raised.

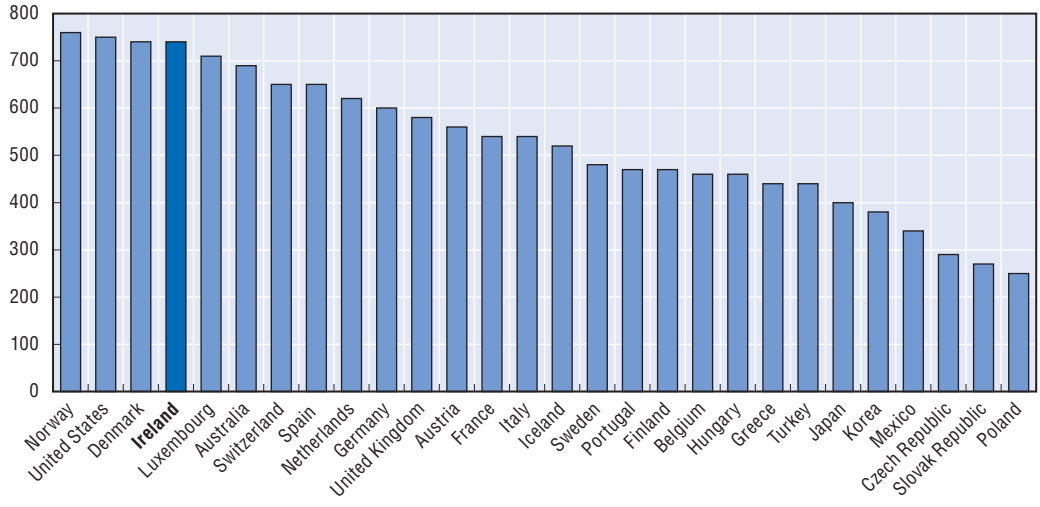
Context

While this case study focuses on the management of municipal waste, it is important to keep in mind that this is only a small part of the overall waste produced in Ireland. In 2004, over 57 million tonnes of waste were generated from a variety of sources. Agriculture represents the largest waste stream: around 70% of total waste produced. Municipal solid waste represents another 4%[1] of the total waste stream. Municipal waste generation in Ireland is very high by OECD standards; at 740 kg/capita it is the same level as Denmark, and only Norway and the US generate more waste (Figure CS3.1).

With a fourfold increase in municipal waste generation per capita since 1980, Ireland has had – by far – the biggest increase in the OECD (OECD, 2007). This increase has been sustained over the last decade (Figure CS3.2), during which time Ireland was second only to Greece. These changes reflect higher incomes, changing lifestyles and consumption patterns.

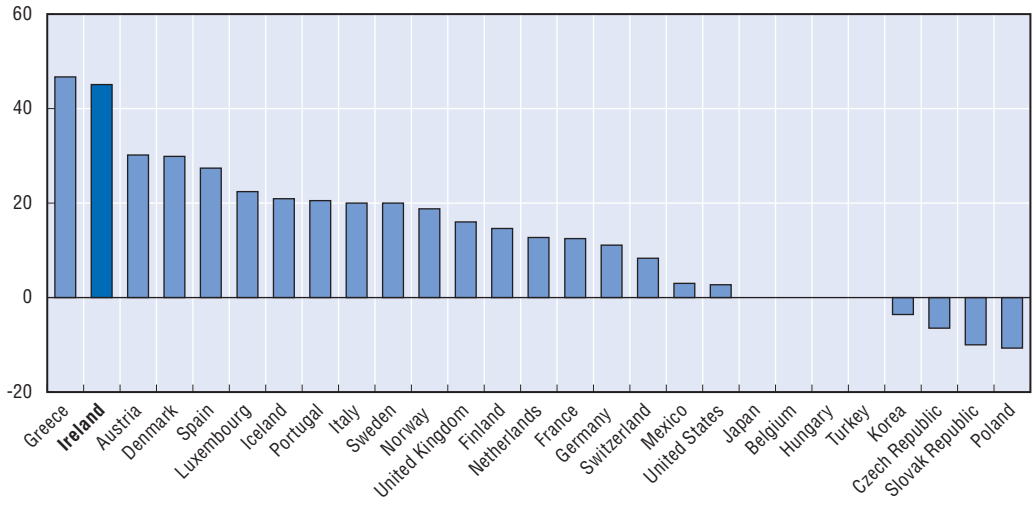
Figure CS3.1. **Waste generation in OECD countries**

Municipal waste in kg/capita, 2005



Source: OECD Environmental Data, Compendium 2006/2007.

Figure CS3.2. **Increase in municipal waste generation per capita**
OECD, 1995-2005



Source: OECD Environmental Data, Compendium 2006/2007.

Policy goals

Municipal waste management comprises primarily the collection (*e.g.* at homes and businesses), disposal (*e.g.* in landfills or other treatment facilities) and recycling of solid waste, as well as related functions such as street cleaning. Before 1996, waste management in Ireland was part of the public health functions of local authorities.[2] At the time, it constituted waste disposal in general and landfill in particular. Greater environmental awareness and a need to conform to EU-wide standards, however, have led to changes in waste management policy.

A new approach was set out in the *Waste Management Act* that came into effect in July 1996. This new strategy demanded a shift away from landfill and towards implementation of the EU waste management hierarchy.[3] According to this hierarchy, the most environmentally friendly waste management solutions are (in descending order): prevention, minimisation, re-use, recycling, waste-to-energy (*i.e.* incineration) and landfill. Another new element introduced by the *Waste Management Act* was the formulation of waste management plans. The Environmental Protection Agency (EPA) was put in charge of developing a national hazardous waste management plan, while local authorities became responsible for developing non-hazardous waste plans at the regional level. Additional pieces of waste legislation came into effect between 1996 and 2005 and together they provide 29 statutory instruments regulating every step of the waste management process.

In order for Ireland to meet its obligations under the 1999 EU Landfill Directive, the target for biodegradable waste (*e.g.* paper, food waste and garden waste) that must be diverted from landfill by 2013 is 1.7 million tonnes. Landfilling of biodegradable waste creates negative impacts on the environment (*e.g.* production and release of landfill gas, generation of leachate and a slow rate of waste degradation). A more sustainable alternative is to produce compost. The 1998 policy document *Changing Our Ways* paved the way for reducing reliance on disposal to landfill. It advocated waste treatment options that better reflect the EU waste hierarchy and the need for environmental sustainability. Several targets have been set for 2013, including the recycling of 35% of municipal waste (the

previous target set in 1994 was 20%), diversion of 50% of household waste from landfill and a minimum of 65% reduction in biodegradable waste consigned to landfill.

This integrated approach to waste management was reiterated in subsequent policy papers. The 2002 paper, *Preventing and Recycling Waste – Delivering Change*, supported the move from landfill dependence towards operation of the waste management hierarchy. Several actions were proposed to ensure waste prevention and minimisation, including the National Waste Prevention Programme (NWPP) and the establishment of a Core Prevention Team. Later policy statements, such as the 2004 *Waste Management – Taking Stock and Moving Forward*, and the *National Strategy on Biodegradable Waste* in 2006 confirmed the key objectives of becoming less dependent on landfill, developing prevention and minimisation initiatives, as well as fostering composting and thermal treatment.

In line with the national policy on an integrated approach to waste management and in the context of the National Development Plan 2007-2013, thermal treatment with energy recovery was chosen as the preferred option for dealing with residual waste after achieving the domestic targets with respect to waste prevention, recycling and recovery. However, a comprehensive review of waste management policy has now been initiated which will, in part, explore the potential of other technologies for the biological and mechanical treatment of waste. This is in line with a commitment in the government's policy programme to reduce prospective reliance on incineration.

Actors

Role of the central government

The main actors at the central level are the Department of the Environment, Heritage and Local Government (DEHLG), the Environmental Protection Agency (EPA), An Bord Pleanála (ABP) and the Competition Authority.

The Department of the Environment, Heritage and Local Government (DEHLG) develops the national waste policy within the context of EU policy and introduces the domestic legislation necessary to implement EU law and to achieve policy goals. The DELHG has the power to issue policy directions on waste management, (such as the *Preventing and Recycling Waste – Delivering Change*) to the Environmental Protection Agency and to local authorities. *The Waste Management (Amendment) Act 2001* provided for the launch of an Environment Fund to be managed and controlled by the Minister for the Environment, Heritage and Local Government. Revenues from the levies on plastic shopping bags and the landfill of waste are paid into the Fund, which may be utilised for a range of purposes. These include assistance in schemes to prevent/reduce waste, waste recovery activities, research and development into waste management, and many other activities. The total expenditure in 2005 from the Environment Fund was EUR 42 million.

The Environmental Protection Agency (EPA) is in charge of developing a national hazardous waste management plan, licensing waste recovery and disposal activities, and operating the national waste database. It also defines criteria and procedures for the selection, management, operation and termination of the use of landfill sites. When licensing, the EPA has to take into account the environmental standards set by the DEHLG, as well as the regional waste management plans. Under the aegis of the EPA, the Office of Environmental Enforcement (OEE) supervises local authorities on issues of environment protection and enforces waste management law.

An Bord Pleanála (ABP) is the national planning appeals board. Established in 1977, it is responsible for appeals and certain other matters under the *Planning and Development* Acts. Within the field of waste management, ABP is responsible for assessing landfill planning applications from local authorities and is involved in appeals on local authority decisions with respect to private landfill developments. As such, ABP has a key role in ensuring that the proper framework is in place to facilitate the development of integrated waste management systems. When making decisions on applications for development, ABP must take into account the regional development plans and national government policy on the issues concerned.

The Competition Authority oversees competition and market conditions in several sectors in Ireland, including waste management, which is the only utility sector without its own competition authority (or regulator).

Role of local government

Municipal waste collection has traditionally been a responsibility of the local authorities (29 county councils and five urban authorities). The private sector is involved in the provision of waste collection services in all local authority areas (see Annex A). Currently, waste is now exclusively collected by private providers in more than half of all local authorities (Figure CS3.3). In the remaining local authorities, both public and private providers supply waste collection services.

The role of local authorities in waste management has been changing since 1996. The traditional role of local authorities (*i.e.* to deliver household waste services, manage landfill sites and the disposal of waste) has now evolved into a wider and more holistic environmental protection role. In the waste sector, this includes a variety of tasks ranging from preparing waste management plans, providing waste services, or regulating, permitting and monitoring them. The sector is also responsible for landfill management, controlling illegal dumping and promoting recycling. The point has been made that central government wants to take credit for the positive economic development of Ireland, but has left local authorities with the responsibility for the negative side, the explosion of waste (Boyle, 2003).

A second responsibility for local authorities is waste disposal. Of the 48 landfills in Ireland in 2005, only 11 were privately owned; the others are owned and managed by local authorities (EPA, 2005). The joint responsibilities at the local level of waste collection and waste disposal – each with an attendant revenue stream – creates an incentive for local authorities to achieve returns on the landfills that they own – or at least to break even – by utilising existing landfill capacity as much as possible. Local authorities in practice only control the waste that they themselves collect or that is collected on their behalf through a contractual arrangement, though the potential to direct waste through the permitting system does exist. Those that control their own waste therefore have an incentive to direct it to their own waste disposal sites in order to maximise revenue, regardless of national efficiency concerns or environmental targets such as waste minimisation or waste recycling.

Finally, local authorities are responsible for recycling municipal waste produced by businesses and households. Over the last few years, several activities have been set up in order to accomplish this. Initiatives range from recycling facilities, such as bring banks, to

Box CS3.1. **Municipal waste collection arrangements in Ireland**

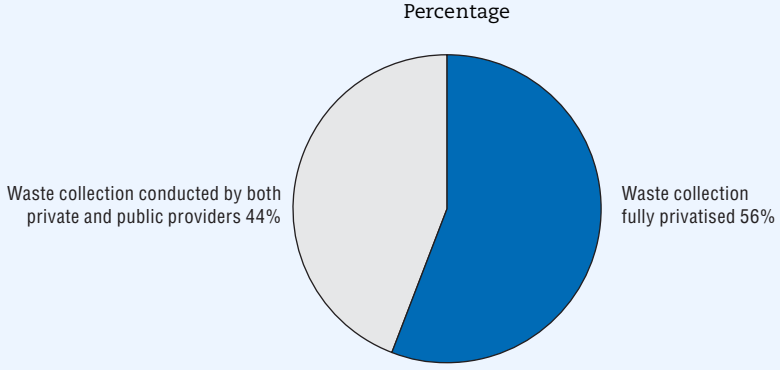
In practice, two models exist for municipal waste collection in the 34 local authorities in Ireland:

- Waste collection is fully privatised – this is the case for 19 local authorities.
- Waste collection is conducted by both private and public providers – this is the case for 15 local authorities.

While they make up the majority of cases, the areas with only private providers tend to be less densely populated, *i.e.* rural areas. So even if the majority of local authorities only have private providers, the population in these areas accounts for only about 40% of the general population.

Private waste collection can be arranged directly between private providers and customers or else through the local authority that contracts out to a private provider to deliver the service. Contracting out by the local authority does not often take place: only 5% of municipal waste streams in Ireland are contracted out.[13]

Figure CS3.3. **Waste management arrangements in Irish local authorities**



Source: Department of Environment, Heritage and Local Government.

segregated waste collection, as well as awareness campaigns in communities, the media and schools.

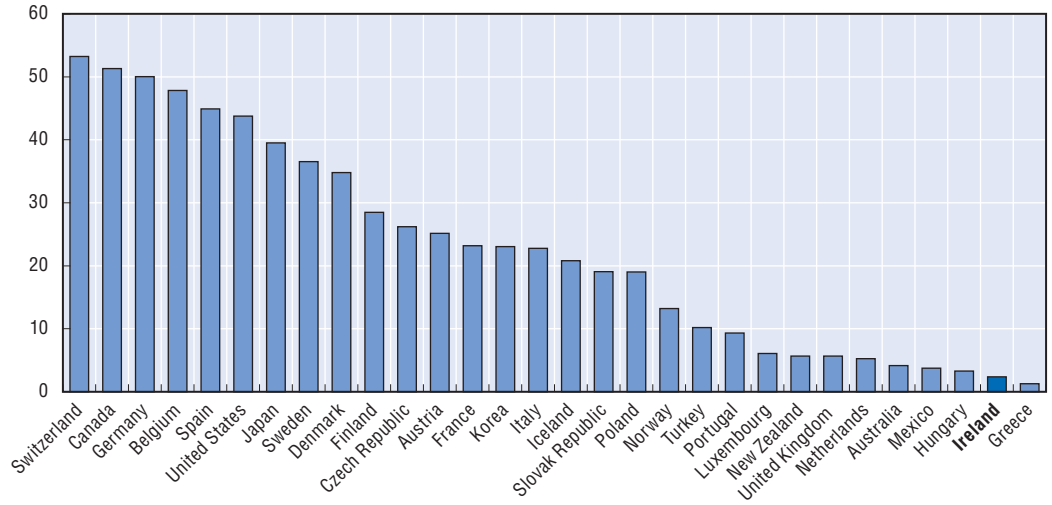
Waste management is a major component of local authorities' responsibilities. This is in contrast with many local governments in other OECD countries, where it is one more responsibility alongside the delivery of social services and education – services that are more centralised in Ireland. The biggest expenditure item for local authorities is road transportation and safety (27.6% of all expenditure). Waste management is a major part of the second biggest expenditure item, environmental protection, which forms 19.2% of total local expenditure. Waste collection fees have become one of the main sources of revenue for local authorities (see chapter on the Irish Public Service).

Local authorities spent EUR 400 million on municipal waste disposal in 2004, a figure that is four times higher than in 1996 and includes the cost of domestic refuse collection, street cleaning and landfill operation (Indecon, 2005). Waste management is one of the major contributors to the increases in local government expenditure over the last decade. Projections of government expenditure show that local government spending is expected to grow further, without accompanying income resources to cover costs, resulting in a

funding gap which is estimated to range from EUR 415 million to EUR 1.5 billion in 2010.[4] The County and City Managers Association (CCMA) predict that public expenditure for waste management will increase by 33% in the period 2005-2010, with large increases for recycling service costs.[5]

The cost recovery for waste management in Ireland is estimated to be 80%: this income consists of waste charges for commercial and domestic users. This is laudable. In comparison, in most OECD countries, cost recovery of operation and management expenditure is significantly lower, at 51% in 1999.[6] The expense of waste management in Ireland is consistent with the OECD Polluter-Pays Principle.[7] It is also the case that local authorities in Ireland have little choice in the matter – users are obliged to bear the growing costs of service delivery. In contrast with many local governments in other OECD countries, Ireland has few sub-national tax revenues (Figure CS3.4). Waste collection charges are paid to the local authority if it provides the waste collection services. Given the high cost of waste collection – especially in sparsely populated areas – they do not, however, necessarily profit from waste collection fees. As a result, local authorities have increasingly allowed private operators to contract directly with individual households for waste collection services at freely fixed rates. In these cases, the only role of the local authority with regards to waste collection is to license private operators.

Figure CS3.4. **Sub-national tax revenues as share of total tax revenues**



Source: OECD Revenue Statistics Database 2007.

Role of the private sector

Local authorities have increasingly ceded the waste collection market to the private sector (Box CS3.1). This is especially the case outside Dublin. In the South East, for example, only 20% of waste collection is now "owned" by local authorities; this figure is 80% in Dublin. The entry of private sector players into the waste collection area has been enabled by: 1) the ability to charge user fees, and 2) the rise in quality standards – mainly driven by EU regulations – which has also increased costs, creating an opportunity for the private sector to move in where local authorities are unwilling – or unable – to deliver services. Charging schemes for waste collection have been mandatory in Ireland since 2005 (the decision to levy waste charges was previously left at local authorities' discretion). According to a report made in 2003, around EUR

1 billion in revenues from user charges and gate fees was generated by the private providers of waste management activities (Davy Stockbrokers, 2003).

Private waste management providers are engaged in the consultation phase of the regional waste management plans, but it is unclear wether or not private sector concerns are reflected in the final plan, and private operators do not have an official redress mechanism. Business representative organisations have voiced their concerns about potential conflict in the role of local authorities as both waste management providers and regulators, as well as the transparency of the setting of waste management fees – both for collection and for disposal. They are concerned, in particular, about the need to provide a relatively predictable waste disposal environment (*e.g.* in terms of landfill pricing) in order to allow the private sector to make long-term infrastructure investment decisions.

Within the private sector over the last decade, a movement towards market consolidation has taken place in which both vertical and horizontal integration has also occurred. The effect of vertical integration is that single companies are offering both collection and disposal services. The small, spread out customer base in Ireland has also encouraged horizontal integration: a handful of substantial operators have acquired the business of their smaller counterparts. Several providers have begun to provide services beyond their regional boundaries.

Other stakeholders

The issue of waste collection has mobilised several community organisations, mainly based on the NIMBY ("not in my backyard") reaction to the placement of waste treatment and landfill facilities. This opposition became increasingly clear when central government tried to consolidate landfill sites. The consequence of the strategy was that one or two local authorities would have to host the big landfill or thermal treatment facilities, which led to local protests that blocked decision-making processes. For this reason, the *Waste Management Act* was introduced in 2001. This Act moved the power to adopt a waste management plan away from locally elected members to local authority managers, so as to "remove any perceived obstacles to the effective implementation of regional plans". There is also strong resistance against thermal treatment plants from environmental organisations and the general public.

Output/outcomes

This section will assess the output and outcomes of waste management in Ireland under the current public service arrangements. Output- and outcome-indicators to be examined include: 1) coverage of waste management services, and 2) distributional and environmental concerns. Special attention will be paid to the effects of competition. In this section, Ireland will be benchmarked against other OECD countries, and the variety of practices between local authorities within Ireland will be highlighted.

Coverage of waste management services

The share of the population served by municipal waste services (both public and private) in Ireland has historically been quite weak but has strengthened considerably in recent years with the establishment of the Office of Environmental Enforcement and the introduction of a range of other measures. However, coverage remains low by OECD standards. It is close to 100% in most OECD countries with only Turkey having a lower score than Ireland (Table CS3.1). Many rural areas do not have any service at all. The prevailing legislation allows households to opt out of the collection service. Where the service has

been fully privatised, many local authorities do not know who has opted in and who has opted out. Schemes in local authorities where waste collection is fully privatised do not allow for social adjustments; waste fees then become a financial burden that might be difficult to bear for lower income groups. This may explain the increased practice of backyard burning and of "fly-tipping", *i.e.* the dumping of waste by the side of roads. Over 50% of local authorities reported problems with unauthorised disposal of waste, 80% of local authorities identified backyard burning as a significant issue.[8] Enforcement in this area has been quite weak. The fact that landfill gate fees in Northern Ireland are sometimes one-tenth the level of fees in Ireland incites illicit cross-border activities, such as exporting waste without the permits required by the Waste Management Act.[9]

Table CS3.1. **Percentage share of population served by municipal waste services**

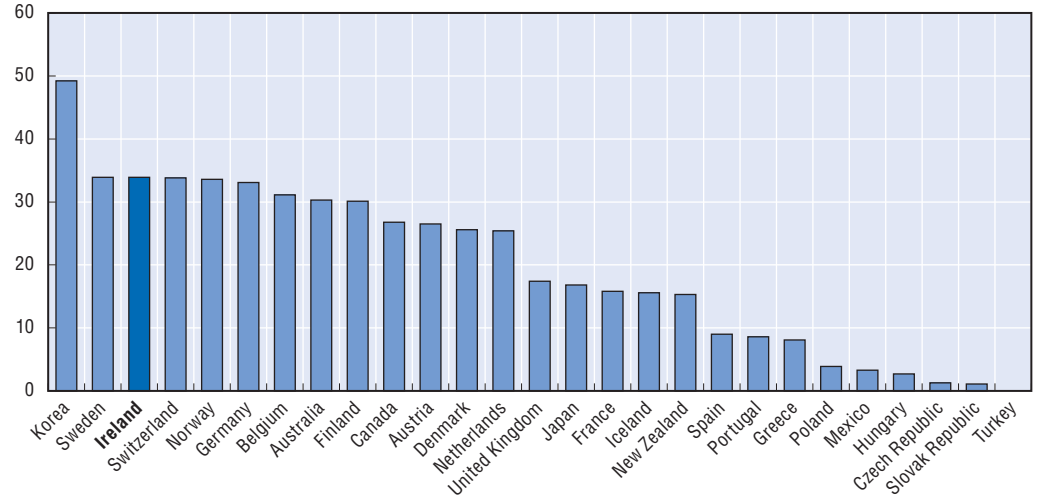
Austria	
Belgium	
Czech Republic	
Denmark	
Finland	
France	
Germany	
Greece	
Iceland	
Italy	
Luxembourg	
Netherlands	
Portugal	
Slovak Republic	
Sweden	
United Kingdom	
United States	100
Japan	99.8
Korea	99.3
Canada	
Norway	
Switzerland	99
Mexico	90
Hungary	89.5
Ireland	**76**
Turkey	72.8

Source: OECD Environmental Data – Compendium 2006/2007.

Ensuring the provision of public goods: recycling and low-income waivers

Ireland has made significant progress in recycling its municipal waste. The recycling rate rose from 9% in 1998 to 34% in 2005 and is now more consistent with – and even at the high end of – OECD practices (Figure CS3.5). The overall recycling target for 2013 (35%) was already almost achieved by 2005. On other recycling targets, Ireland has improved considerably: packaging waste recycling went up from 14.8% in 1998 to 60% in 2005. The recycling of construction and demolition waste, at 87%, is already exceeding the 2013 target of 85%. These major improvements are the result of public investment in various recycling facilities. The network of bring banks expanded from 426 in 1995 to 1 900 in 2006; the number of civic amenity sites increased from 28 to 81 over the period 1995-2006. In

Figure CS3.5. **Rates of recycling of municipal waste across OECD countries**



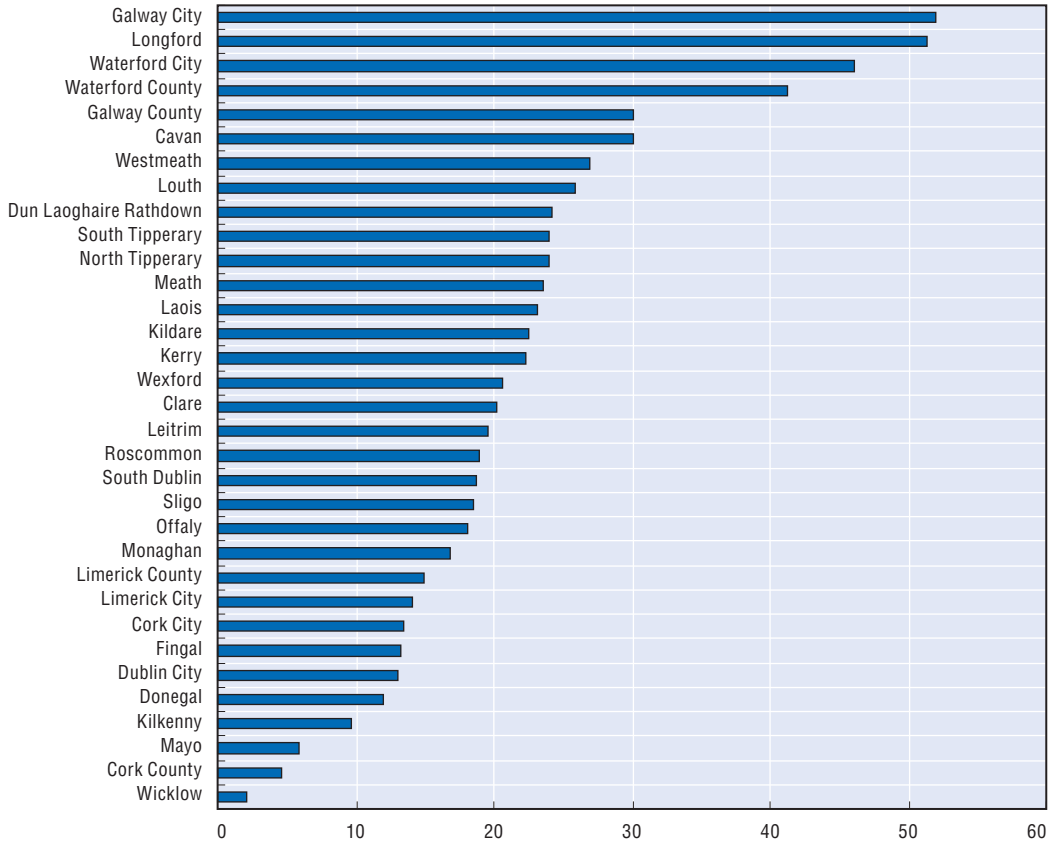
Source: OECD Environmental Data – Compendium 2006/2007.

1995, around 50 000 households had a separate collection service at their disposal, and by 2003 there were 500 000 (CCMA, 2007). As a result, Ireland is in the top fifth of OECD countries in terms of the recycling of municipal waste. At the same time, however, less than 25% of the recovery and recycling of Irish waste is reported to occur in Ireland (IBEC, 2006); the rest is sent to other countries for processing**.** This limits the exploitation of the commercial and employment opportunities that recycling can bring, and raises concerns about the added environmental cost of shipping materials abroad for recycling.

Recycling rates among local authorities within Ireland vary significantly. While most of the local authorities (25 out of 32) have a recycling rate of between 10% and 30% (Figure CS3.6), the lowest recycling rate is found in Wicklow County Council, where 2% of household waste is recycled. The highest score is in Galway City Council with a 52% recycling rate. These numbers are likely to evolve in the next few years since waste collection charges, and thus incentives to divert more household waste to recycling, are still evolving. For example, waste collection charges in the Dublin area and – of critical importance – household collection of recyclables, were only introduced in 2005-2006, thereby paving the way for improvements in recycling rates. However, in order to meet the EU waste management hierarchy, there is a need to further rely on economic incentives, such as further improving cost recovery of municipal waste collection and disposal services (*e.g.* through user charges) and landfill taxes.

With the introduction of user charges, some low income household have had their charges waived. Waivers from waste collection charges are mostly provided in cities and in local authorities where waste collection is not run exclusively by private providers. Waterford City Council provides the most waivers relative to other local authorities: almost 10% of its population are exempted (Figure CS3.7). There are currently no national guidelines in relation to implementing a waiver system. In some local authorities, waivers are connected to income, while in others waivers are only given to old age pensioners and unemployed. Most of the waivers are offered in urban areas. Lack of waiver schemes in rural areas may have reinforced the tendency towards fly tipping.

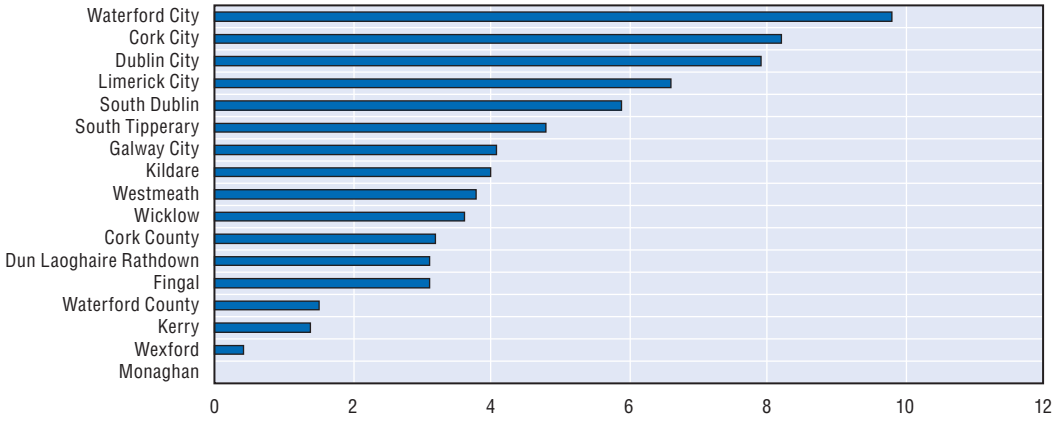
Figure CS3.6. **Recycling rates of household waste in local authorities in Ireland**



Source: Local Government Management Services Board (2006), Service indicators local authorities 2005.

Figure CS3.7. **Percentage of population exempted from waste collection charges *via* a waiver scheme**

2007



Note: Local authorities without a waiver scheme are not included in the figure.
Source: DEHLG 2007.

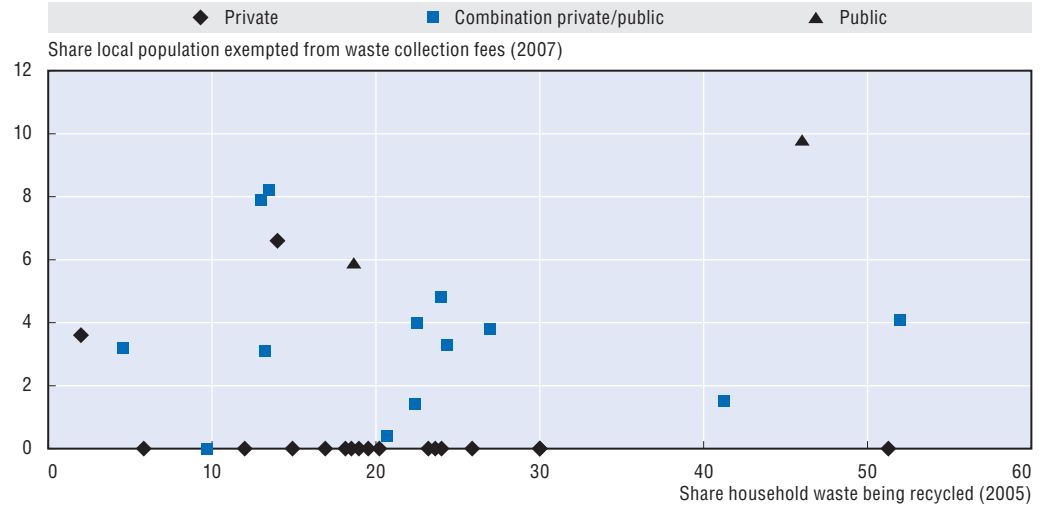
Most private providers of waste collection do not waive the costs for low income groups (Figure CS3.8). Of the 19 local authorities where waste collection is completely in private hands, only 3 have some kind of waiver scheme (one of which is marginal). Of the

14 local authorities where local government – in combination with the private sector – collects waste, only one is not providing waivers. This is not surprising as private companies currently have no incentive to grant waivers, as most of their market share does not come from contracting out, whereas private service provision delivered under contract with a local authority could have included waivers as a requirement for the terms of service delivery, including compensation to the service provider for the cost of implementing the waivers.

Another difference is in recycling rates: areas with only private providers score slightly lower than those where local authorities are active in waste management (Figure CS3.8). Prior to 2008, waste management services in some local authorities were still completely public. When comparing these local authorities with local authorities using private providers, on average, areas with exclusively private providers recycle 20.5% of household waste, whereas those where local authorities are exclusively responsible had an average score of 32.3%. Areas where both local authority and private providers are active score 22.2%.

There are a number of ways to promote public service obligations such as universal service delivery, low income waivers, and recycling. For example, instead of exempting certain groups from paying waste services, it is more efficient to make all users pay while granting a lump-sum to low income households as part of broader social policy goals. This is also more environmentally effective as it keeps the marginal incentive unchanged. Under current arrangements, however, the shift to private waste collection has introduced inequalities that have yet to be addressed.

Figure CS3.8. **Public value in waste management: Comparison of private, public and mixed systems with respect to exemption of low income and recycling rates**



Source: Local Management Services Board (2006) and information from the Department of the Environment, Heritage and Local Government.

Planning and implementation issues

The case of waste management in Ireland raises a number of issues about the conditions necessary for the effective implementation of national policy goals. This section will look at: 1) how the lack of co-ordination of regional plans has actually led to results

that run counter to national objectives, and 2) how the government's reluctance to fully use existing policy tools at its disposal (*e.g.*, pricing, contractual, and regulatory tools) has created new tensions in the system, and continues to impede its ability to keep up with the shift from public to private delivery of waste collection.

Co-ordination of regional plans and waste disposal capacity

Poor co-ordination within and among the ten regions is hindering effective and efficient implementation of the waste management hierarchy. It has produced the opposite of the intended effect: overcapacity of landfill and thus detrimental conditions for other types of infrastructure investment, such as thermal treatment plants.

The *Waste Management Act* of 1996 stimulated regionalisation of waste management: local authorities grouped together to formulate a regional plan to achieve economies of scale. The idea was that this regionalisation would lead to more critical mass for building thermal treatment plants and to a move towards fewer but bigger landfill facilities.[10] This regionalisation strategy has led to a total of seven regional groupings – comprising 31 of Ireland's 34 local authorities – preparing joint plans. The three remaining local authorities – Wicklow, Kildare and Donegal County Council – decided to make their own regional waste plans (Donegal County Council ended up joining Northern Ireland in the preparation of a cross-border plan). This process has thus resulted in ten regional waste management plans. These plans, however, are based on political boundaries rather than ordinary regional boundaries. Given the local nature of most waste management activities, co-ordination concerns are not unusual. Germany has also experienced regional co-ordination difficulties for its waste management policy.

There is no state agency co-ordinating the different regional waste management plans to make sure that national policy targets are being met. While the EPA is supposed to co-ordinate with the regional waste management plans, there is little relationship between the plans made up by the local authorities and the approved landfill capacity by the EPA and ABP. In seven out of ten regions – both rural and urban – the landfill capacity approved by the EPA and ABP far exceeds the current need as suggested by the waste deposited.[11] This is linked to the "proximity principle" enshrined in the *Waste Management* Acts: waste disposal should take place close to where it was collected, which has resulted in each region developing its own landfill capacity, rather than using the excess capacity of other regions.

Poorly co-ordinated regional planning has resulted in uneconomic infrastructure and regional monopolies. The "proximity principle" has made it more difficult for private providers to operate beyond the regional scale (and thus, via the threat of market entry, offers more incentives to be efficient to other providers).[12] Some local authorities, such as in the North East, make clear in their waste management plan that they want to import waste from other regions to support the excess landfill capacity that is available in their region. The national government has recently permitted some inter-regional co-operation, but the "proximity principle" will have a long-term impact as, once constructed, a typical landfill facility has a lifespan of up to 50 years.

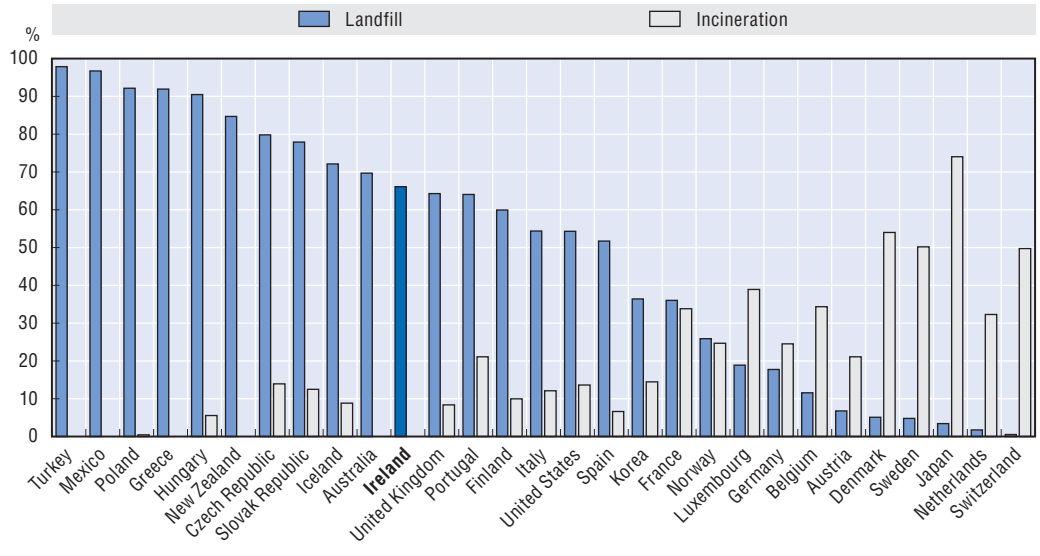
The increase in direct private sector delivery has made more relevant the question of ownership and control of waste streams to waste disposal facilities (*e.g.* landfill, but also biological and eventually, thermal treatment). Most existing landfill capacity is publicly owned, whereas alternative waste treatment facilities will be developed through private

financing. There is a need, therefore, for waste management plans to be better co-ordinated in order to take into account waste infrastructure needs at the national level. This includes ensuring predictable flows of waste streams and more predictable pricing of waste disposal in order to guarantee the economic viability of investments in waste management facilities, and accordingly, a waste infrastructure that supports the European waste hierarchy.

The fragmentation of planning has made it more difficult to establish the conditions for infrastructure investment. In the National Development Plan 2000-2006, EUR 825 million was deemed necessary to develop waste management infrastructure, of which nearly 70% (EUR 571 million) was to be sourced from private investment. According to some observers, less than half of that amount has actually been raised.[13] The regional waste plans, for example, identified the creation of 12 biological treatment (*i.e.* composting) plants and seven thermal treatment plants but none of these have been realised yet.[14] In interviews with the OECD, it has been argued that regional plans did not allow the build up of sufficient operational capacity to treat source-separated food and garden waste by composting. As a result, in 2005, only 0.7 million tonnes of biodegradable waste was recovered through composting.

Currently, Ireland does not have any thermal treatment plants. In this, it can be compared with Australia, Mexico, New Zealand and Turkey (Figure CS3.9). The EPA estimates a need for two to three thermal treatment plants to meet the waste hierarchy; currently seven are proposed in the regional plans, which raises concerns about a substantial over-capacity for thermal treatment should they all be built. As of late-2007, proposed thermal treatment plants in Dublin and Meath have received planning permission, while another in Cork is in an advanced stage of being licensed for municipal waste and could be operational by 2010. Several of the proposals have come up for judicial review in accordance with European Union environmental protection regulations. This may lead to further delays that can affect the business plans for these very expensive investments (the incinerator planned near Dublin has estimated construction costs of EUR

Figure CS3.9. **Share of municipal waste disposed of in landfills and thermal treatment plants in selected OECD countries**



Source: OECD Environmental Data, Compendium 2006/2007.

270 million). Matters are complicated by the overcapacity of landfill facilities in Ireland that mean that private investors may not be ensured a dependable revenue stream on their investment.

Currently, each waste region can plan for waste without considering the importance of the size or geographical make-up of the county, population distribution or economies of scale. Poor co-ordination within and among the ten regions is hindering effective and efficient implementation of the waste management hierarchy. It has produced the opposite of the intended effect: overcapacity of landfill and thus detrimental conditions for other types of infrastructure investment, such as thermal treatment plants. In contrast, Portugal has developed national strategic plans for various types of waste, including municipal waste.

Policy tools

The EU waste hierarchy is at the core of Ireland's waste management policy. Meeting these obligations is not simple, however, as there is a disparity between national commitments, and tools and incentives at the local and regional level. This section will look at how the inability to fully exploit contractual, pricing and regulatory tools has exacerbated problems in service delivery and infrastructure planning.

Contractual tools: contracting out of waste management services

Across the OECD, the most common arrangement for waste collection services is for local authorities to retain responsibility for waste management and to supply the service by contracting out to private sector service providers. In doing so, local authorities retain responsibility for service quality, the ability to direct waste streams and the right to dictate the terms of waste collection (*e.g.* requirements for universal service delivery, recycling targets and waiver programmes). At the same time, they maintain competition in waste management by allowing private sector firms to bid for contracts. In Ireland, however, such an arrangement is the exception. As mentioned earlier, only 5% of municipal waste streams are collected under contractual arrangements with the private sector.

There are several possible reasons for the absence of contracting out of waste services among Irish local authorities. One may be the lack of local capacity to define and manage service and payment plans, especially for those local authorities who previously provided free services. Within the context of needed investments, higher quality standards, and an assumed resistance amongst the local population to financing these investments through user charges, an incentive was created for several local authorities to withdraw from service provision in waste management and to leave the field open for private providers.

A second reason for the withdrawal of some local authorities from waste collection may have been the resistance of public sector unions to contracting out. As waste collection became more costly, it may have become easier for some local authorities to completely cede the market – or, at least, the least economic shares of the market – to the private sector, rather than to try to convince their public sector unions that contracting out was an option. The result, however, has not been optimal. In those local authorities with mixed service provision, there is free and unbridled competition between public and private sector providers competing for individual customers, rather than managed competition through tendering processes.

It is important to keep in mind that once the market has been ceded, it is difficult for the local authority to turn back to the situation prior to this decision. Entry into the market requires major up-front investment. Making changes to the conditions for service delivery will therefore have an impact on profitability. Interviews with government officials have indicated that the private sector is prepared to legally contest any attempts to introduce contract conditions for service delivery.

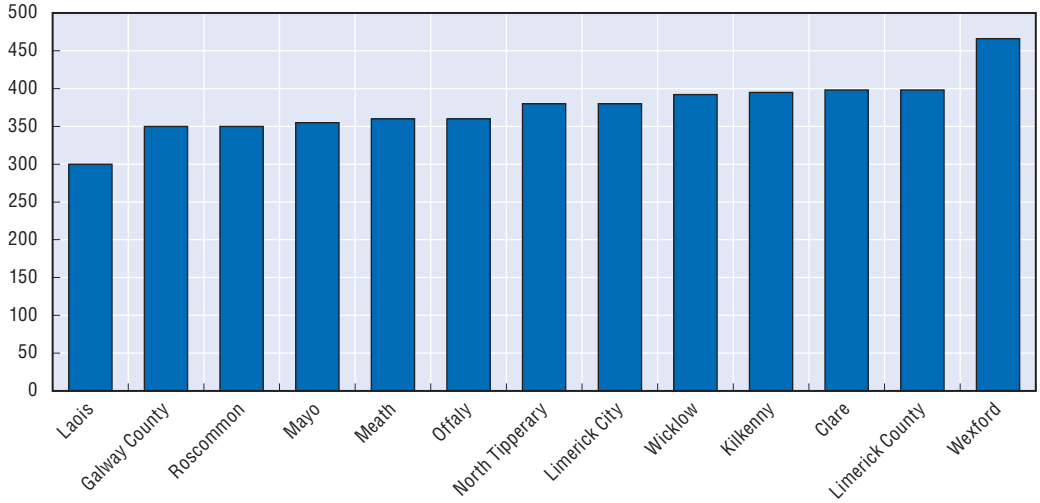
Pricing tools: bearing the costs of waste management services

During the late 1990s, waste management charges were introduced quite rapidly in most local authorities. The cost of waste management also increased quickly. The introduction of higher charges led to some discontent over waste collection fees. The challenge of covering waste management costs was exacerbated by the absence of any sub-national taxes, which meant that county councils could not introduce charges against the backdrop of a promise to also reduce local taxes.[15]

It is difficult to compare waste collection charges among Irish local authorities, as there is a variety of pricing systems in place.[16] When a comparison is made between a flat rate and a variable charge (*i.e.* flat rate plus a variable charge based on volume of use) system, there is a considerable range of collection fees, from EUR 300 to EUR 466 per year for the collection of a 240 L bin (Figure CS3.10). A similar variation can be found when comparing volumetric rates: between EUR 8 and EUR 13 for a 240 L bin. What is remarkable, however, is that in almost all local authorities, some form of user-pay system is in place. All providers differentiate between large and small bins, and, in a majority of cases, households have a financial incentive to minimise waste. In comparison, out of the 16 countries that responded to a 2004 OECD questionnaire, only one quarter charged most of their municipal waste according to weight or volume. Waste pricing in France, for example is based on property taxation rather than weight, reducing incentives to cut down on and/or recycle waste.

Figure CS3.10. **Fixed annual waste collection fees in selected local authorities in Ireland**

Euros, 2004



Source: Indecon (2005), *Review of Local Government Financing.*

Overall, there is no evidence that private providers charge higher (or lower) collection fees than local authorities. Some studies show that local authorities charge less than the private sector.[17] Private sector representatives argue that they are cheaper by pointing to the effects of competition in Cork as an example and by noting that the two most expensive providers in 2007 are the local authorities in Waterford and Wexford. Central and local government assert, however, that the private sector chooses only the most profitable activities and clients. In response, the private sector makes clear that most possibilities for "cherry picking" occur in urban areas, but that this is where the local authorities are most active. They also mention that they charge uniform prices in a region, so that a certain cross-subsidisation always takes place between areas where costs are higher and those with lower costs for collecting waste. Comparison of both variable and fixed systems (as given in Figure CS3.11), would suggest that private providers do not charge a structurally higher (or lower) price than a combination of local authorities and private providers.

Some inequalities still exist, however, in the way in which public and private sector costs are structured. Local authorities are not subject to value-added tax (VAT) for their waste management services as in the case for the private sector. While this is not an issue at the household level, it is an issue for commercial customers where service users cannot claim back VAT. This allows local authorities to offer their services 13.5% cheaper; this disadvantage for business was calculated at EUR 30 million.[18] Local authorities are also partially subsidised for their waste management activities. Local public waste infrastructure projects (both capital and operating costs) are partly funded by the Environment Fund, to which the private sector is not eligible, though this is also to compensate, in part, for the local authorities' recycling activities. By the end of 2005, EUR 42 million of the Fund had been used to support local authority investments in waste management and recycling infrastructure.[19] It is important to note that EUR 42 million relates to the total spent from the fund in 2005 and does not relate entirely to investment in waste recycling infrastructure, but also includes areas such as enforcement and awareness campaign schemes to prevent/reuse waste, etc.

In order to achieve national waste management objectives, governments need to look at the incentives that are put in place at the local level where most implementation of household waste management policy is played out. Firstly, demand-driven policies should be given priority over supply-driven policies. Secondly, sound pricing of waste services, and therefore sustainable sources of financing waste infrastructure development should be sufficient to at least cover their opportunity costs, *i.e.* capital, operation and maintenance (O&M) costs, as well as environmental costs. The use of economic instruments in Korea provides some good examples of how costs can be incorporated into pricing.

With respect to the pricing of waste collection, Ireland's extensive use of volume-based waste collection charges and the market pricing of services seems to have worked well once the principle of user charges was accepted. Ireland's application of the "polluter-pays" principle would probably be a good model for other countries to follow. It has given Ireland a relatively high cost recovery rate for waste management services, and has probably been an added incentive for household recycling.

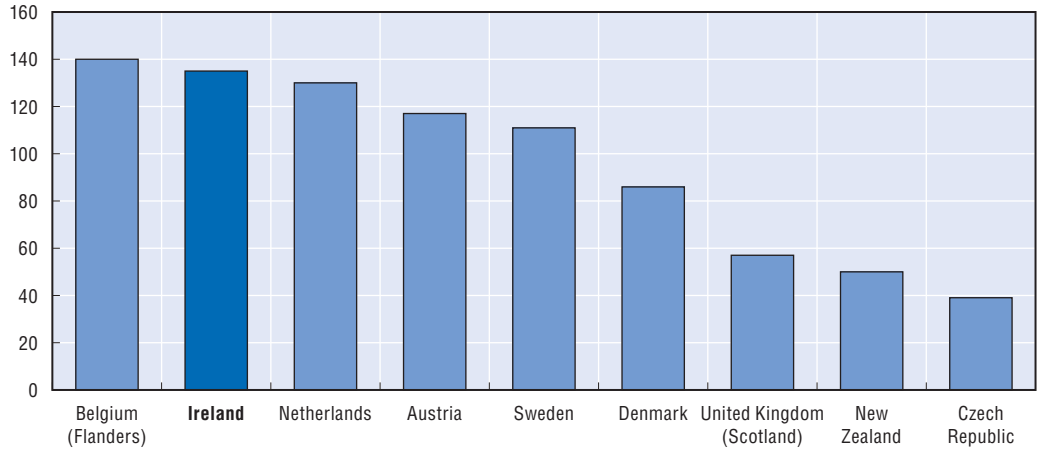
The same level of pricing clarity cannot be said for the pricing of waste disposal. One measure of the inefficiency of the current waste management system from a national perspective can be seen in the level of gate fees charged for the use of landfill facilities.

Landfill gate fees in Ireland are one of the highest internationally, as are fees for the use of biological treatment (*i.e.* composting) facilities.[13] A considerable rise in landfill gate fees took place between 2000 and 2004, when fees rose by 225% on average, reflecting the shortage of landfill capacity between 2000 and 2004. The DEHLG argues that part of the increase was necessary in order to bring the environmental and hygiene standards up to EU norms. Since then, landfill capacity has expanded and now exceeds what is needed. As a result, gate fees have stabilised and have even begun to drop since 2004.

While high by OECD standards, falling landfill gate fees could create a disincentive for private investment in alternative competing technologies that might be higher on the waste management hierarchy, such as thermal treatment plants.[18] A possibility that is mentioned by both local government and the private sector is a landfill tax that serves to even out landfill costs and make them more predictable so that long-term waste

Figure CS3.11. **Landfill gate fees for non-hazardous waste in selected OECD countries**

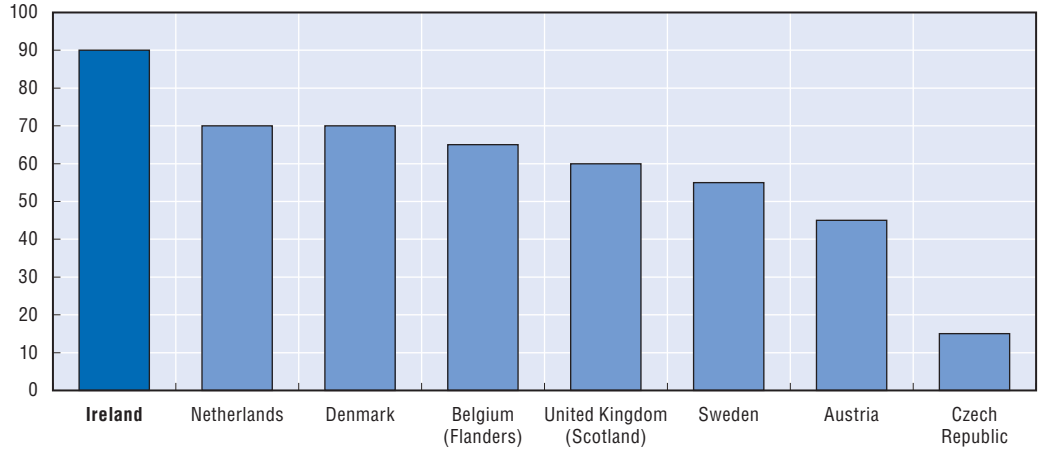
Euros per tonne, 2006



Source: Forfás 2007.

Figure CS3.12. **Fees for the biological treatment (composting) facilities in selected OECD countries**

Euros per tonne, 2006



Source: Forfás 2007.

management infrastructure investment decisions, such as the construction of thermal treatment plants, are easier to make. Such landfill tax was introduced in several OECD countries (*e.g.* the Netherlands and the United Kingdom).

There is also a clear case for more transparency in the administrative costs for shipping waste. Local authorities can ask an application fee for allowing companies to ship waste produced in one local authority to be disposed of in another local authority. These fees differ from EUR 0 (Dun Laoghaire) to EUR 600 (South Dublin). Not only do these fees distort competition, the justification for the large price differences is also unclear.

Regulatory tools: Managing competition

It is difficult to get a clear picture of the effects of competition in the waste management sector in Ireland. The introduction of private providers in the market did not necessarily mean more competition. In some regions, a private regional monopolist is simply replacing the local authority. The large differences in disposal charges in Ireland could indicate a lack of competition on a national level, but this is difficult to ascertain, as the cost for providing the service differs according to population density. The private waste managers claim that the introduction of private landfill facilities from 2004 has led to decreasing landfill gate fees.

Creating a level playing field is a critical part of the recommendations of the OECD Council on the Environmentally Sound Management of Waste (Box CS3.2). This can be achieved by equally applying regulatory requirements and by facilitating market access. As some examples mentioned earlier make clear, local authorities and private waste management companies have not always been treated equally: the "proximity principle" was applied differently to a private provider than to a local authority, and local authorities have been allowed to build landfill capacity beyond agreements in the regional waste management plans, disfavouring private partners. But there are other challenges to obtaining a level playing field in waste management.

The second challenge is market entry. Lengthy delays in planning processes still form a barrier to market entry. For example, a waste management company received planning permission for a waste-to-energy facility in Cork in January 2004. A judicial review of the planning decision of the local authority was sought and granted in January 2005. The High Court hearing has yet to be held. Rules such as the "proximity principle" have also acted as an impediment to market entry. Finally, as noted earlier, market entry costs in investing in equipment make it difficult both to enter and to leave the market, thereby creating vested interests.

The 29 different regulations covering the waste management process present yet another barrier to market entry. They make it more difficult to understand and navigate the standards and requirements governing waste management. A case could be made here for consolidating and simplifying the primary legislation into a single code, and for consolidating and clarifying the related secondary legislation in order to make it more user-friendly for actors in the waste management field. In addition, regulatory impact analysis (RIA) of primary legislation[20] is not yet easily available, decreasing transparency for interested groups, communities and the broader public. Consolidating and making the legislative code easier to locate and understand, and making publicly available RIAs, would help to refocus attention on whole-of-government objectives and the policy and geographic trade-offs needed to achieve these objectives. The result would be a more

informed national discussion on how best to meet Ireland's waste management needs when legislative proposals are debated in the Oireachtas. It would also help encourage groups to be more constructive in proposing alternative ways to meet waste management needs, rather than simply defending their own interests (*e.g.* NIMBY, defending market share or profitability of waste disposal facilities).

Currently, 12 different parties are involved in setting the regulatory framework for waste management: the EPA, An Bord Pleanála (ABP), and the local authorities organised as ten regional waste management authorities. The ten regional waste authorities have the authority to licence private waste management service providers, *e.g.* waste collection companies and/or operators of waste disposal facilities (all landfills in Ireland are licensed by the EPA). Via this permit, the private companies are bound to the regional waste management plan of the region. The duration of these permits is usually two years. Local authorities have few sanctions, however, once an enterprise has taken over the local market and has become a monopoly service provider.

The dual regulatory and service delivery role of local authorities could distort competition by creating incentives for local authorities to abuse their licensing authority to limit competition. In terms of waste disposal, limiting the development of new private waste disposal facilities would help local authorities to direct waste to their own landfill facilities, improving the return to the local authority. To date, however, the dual role has been more of a theoretical than a real problem because there is no evidence that the licensing authority has been used to exclude private competition. In fact, in the area of waste collection, waste authorities could far better use permits to even the playing field by placing the same obligation on all service providers – public or private – to meet certain delivery standards such as the provision of waivers or for universal service delivery. To date, this has not been the case.

The regulation of competition in the waste management sector is currently widely debated. In 2006, the DEHLG issued a Consultation paper on regulation of waste management. This paper makes clear that there are several challenges to the regulation of competition, among them, the dual role of local authorities as regulator and operator. The paper considers the option of an independent waste management regulator to solve this

Box CS3.2. **2004 Recommendation of the OECD Council on Environmentally Sound Management of Waste**

The OECD Council has made recommendations on the implementation of environmentally sound and economically efficient management of waste based on the following objectives:

1. Sustainable use of natural resources, minimisation of waste and protection of human health and the environment from adverse effects that may result from waste.
2. Fair competition between enterprises throughout the OECD area through the implementation of core performance elements (CPEs) by waste management facilities, thus contributing to a level playing field of high environmental standards.
3. Through incentives and measures, diversion of waste streams to the greatest extent possible from facilities operating with low-standards to facilities that manage waste in an environmentally sound and economically efficient manner.

Source: OECD.

regulatory problem. In the consultation round, the private waste management sector – while acknowledging the regulation challenges – was not enthusiastic about an independent regulator. In their view, this process would take too much time and would not be necessary as most regulatory instruments were already in place but ineffectively applied. They proposed changes to the law where needed so that there would be a level playing field – and to leave regulation to the Department of Environment, Heritage and Local Government and regulatory oversight to the EPA and the Competition Authority.

Conclusion

The establishment of, and increase in, waste management fees and the withdrawal of the local authorities from many parts of the waste collection market have created new opportunities for the private sector, but the failure to use existing tools to regulate and manage competition have led to a situation in which no one is satisfied. Local authorities complain about private sector "cherry picking" and the burden of shouldering the entire cost of recycling. The private sector complains about the dual regulatory and service delivery role of the local authorities, and the lack of transparency in the setting of public waste collection rates. In the end, it is the public that loses, with less efficient waste collection due to excess landfill capacity and unequal terms of competition, uneven treatment (*e.g.* in terms of waivers and unserved communities) due to failure to use existing regulatory and contractual tools effectively, and the risk of missing long-term environmental goals due to ineffective planning and co-ordination.

To establish well-functioning waste management, Ireland should implement a system that entails: 1) a regulatory regime that eliminates conflict of interest; 2) lower market entry barriers by reducing lengthy procedures; 3) contractual arrangements that oblige service deliverers, whether public or private, to deliver on sustainable development objectives such as broader environmental goals and universal service; 4) a financing system that removes hidden subsidies and allows all service providers to bear the actual cost of service delivery in their fee structure (including recycling costs), in accordance with the polluter-pays-principle;[21] and 5) planning and co-ordination arrangements that allow rational infrastructure use and investment.

Achieving such objectives is a challenge for Ireland. The private sector has entered into markets under a system where the planning, regulatory, and contracting tools have been available, but are under-utilised. Market entry involves major investments and creates vested interests. Changing the rules all at once will have a potentially destabilising impact, but the current system is clearly underperforming. This case study illustrates the consequences in not having adequate planning and management in place from the beginning: new arrangements quickly become entrenched, regulatory and contractual changes are subject to judicial challenge, and the costs of changing the system become greater over time. As a first step, central government should focus on eliminating market-distorting elements so that a level playing field is created. As for local authorities, in the short-term, they should review how they could better make use of their licensing authority. As this step, however, will increase conflicts of interest under the dual responsibility model, it may be wise to transfer licensing authority to the regional or national levels in the longer-term.

Box CS3.3. **Key recommendations**

Examine approaches to waste management, including contracting out by local authorities: The Department of the Environment, Heritage and Local Government, working with the Local Government Management Services Board, should examine the case of waste management in order to better understand the range of factors influencing the approaches taken by local authorities. As part of this work, it should look at the potential contribution of the contracting out of services – taking into account the wider financial context and approaches at national level to waste management. The analysis and recommendation could usefully consider the skills associated with the best management of any such contracting arrangements in order to improve service delivery in this and other areas.

Create a level playing field: As a first step, central government should use the current review of regulations in the waste management sector to focus on eliminating market-distorting elements so that a level playing field is created. As for local authorities, in the short term they should review how they could better make use of their licensing authority – the two-year licence that binds companies to regional waste plans. As this step, however, will increase conflicts of interest under the dual responsibility model, it may be wise to transfer the licensing authority to the regional or national levels in the longer-term and this should also be a key focus of the Department review.

Improve inter-regional co-ordination: The combined regional waste strategies do not necessarily achieve the national waste policy targets. Attempts to move from waste disposal via landfill to thermal treatment have not been realised, due to excess landfill capacity and the proximity principle that makes it more difficult for regions to transport waste to regions with excess landfill capacity. Improved co-ordination is needed to take better account of waste infrastructure needs at the national level. Less strict application of the proximity principle could assist in this co-ordination. A landfill tax should be considered to make desired investments in non-landfill solutions by the private sector more economically viable.

Notes

1. Environment Protection Agency (2006a).
2. OECD, (2000).
3. Ireland has committed to transpose and implement EU waste legislation, which includes the EU Framework Directive on Waste (which dates back to 1975), as well as the 1999 Landfill Directive and the 2000 Incineration Directive.
4. Indecon, (2005).
5. CCMA, (2007).
6. OECD, (2007d).
7. The "*Polluter-Pays Principle*", as adopted by the OECD Council in 1972 is usually interpreted as both a principle of cost allocation and a principle of cost internalisation. As a principle of cost allocation, the PPP addresses the question of "who pays" for pollution prevention and control. The PPP instructs that those responsible for causing pollution (here, the producers of waste) are required to bear the costs of pollution prevention and control measures (here, environmentally sound waste management). As a general rule, governments should not give the polluter assistance of any kind to prevent and control pollution. In this way, the Principle seeks to avoid potential international trade and investment distortions from environmental subsidies to polluting sectors. As a principle of cost internalisation, the PPP seeks to improve economic efficiency by internalising external environmental costs of production and consumption into market prices. This raises the question of what environmental costs and "how much" should be paid.
8. EPA, (2006).

9. OECD, (2006).
10. The number of landfill facilities was consolidated from 87 in 1995 to 48 in 2005 [DEHLG (2004) and EPA (2006a)].
11. CEWEP (2006), Indaver Ireland, (2006).
12. It also seems to have also led to unequal treatment of private providers *vis-à-vis* public providers. There is the case of the private Knockharley landfill that was prohibited to accept waste from outside its region, whereas the local authority development at Collon (County Louth) was allowed to do so [IWMA (2006)].
13. Forfás (2007).
14. IBEC (2006).
15. OECD, (2007d).
16. Broadly, there are four pricing systems: The first system is an annual flat rate. This is, for example, the case in Roscommon where the collection fee was set at EUR 350 a year. The second system adds a variable element. This is the case in Limerick City where the half-yearly fee is EUR 190 for the collection of up to 400 kg. For every additional kilogramme 17.5 eurocents have to be paid; this amount can be earned for every kilogramme less than 400 kg. The third system runs along a similar logic but has a smaller fixed amount and a larger variable part: the private operator in Longford charges a half-yearly flat fee of EUR 140 and adds/subtracts 17 eurocents per each kilogramme above/below 400 kg. The fourth pricing system is purely based on volume. This is the case in Fingal County Council where pre-paid tags must be attached to each bin with a fee of between EUR 3.35 and EUR 6 per tag, based on the bin size.
17. OLAM, (2007), cited in: "Waste Management: Engagement Between Representatives of Country and City Managers Association (CCMA) and OECD", presentation 28th March 2007, Dublin.
18. IWMA, (2006).
19. IWMA, (2005).
20. The government decided in June 2005 that regulatory impact analysis (RIA) should be produced for all new primary legislative proposals, as well as for significant secondary legislation.
21. See endnote 2.

ANNEX CS3.A1

Waste Management Arrangements by Local Authority in Ireland

County Council	Waste management service provision
Carlow	Private
Cavan	Private
Clare	Private
Cork	Combination public and private
Donegal	Private
Dun Laoghaire Rathdown	Combination public and private
Fingal	Combination public and private
Galway	Private
Kerry	Combination public and private
Kildare	Combination public and private
Kilkenny	Combination public and private
Laois	Private
Leitrim	Private
Limerick	Private
Longford	Private
Louth	Private
Mayo	Private
Meath	Private
Monaghan	Private
North Tipperary	Private
Offaly	Private
Roscommon	Private
Sligo	Private
South Dublin	Combination public and private
South Tipperary	Combination public and private
Waterford	Combination public and private
Westmeath	Combination public and private
Wexford	Combination public and private
Wicklow	Private
Cork City	Combination public and private
Dublin City	Combination public and private
Galway City	Combination public and private
Limerick City	Private
Waterford City	Combination public and private

Source: Department Environment, Heritage and Local Government.

ISBN 978-92-64-04325-1
OECD Public Management Reviews : Ireland
Towards an Integrated Public Service
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Case Study 4

School Planning in the Education Sector

Introduction

In the 1980s, Ireland undertook a comprehensive restructuring of its expenditures in an effort to address the fiscal imbalance resulting from a persistent slowdown in economic growth. This *Programme for National Recovery* entailed reducing Public Service personnel and cutting wages, income transfers and subsidies. Although necessary at the time, these restraint measures led to a significant overall deficit in infrastructure, in particular, to a shortage of new school buildings. This also meant that existing school buildings were not adequately maintained. With renewed economic growth, tackling this infrastructure deficit has been a priority.

Renewal in economic growth, coupled with a rapid expansion of the population has made school planning more complex. The Irish population has diversified, with an increasing share of the population living in urban areas and commuting significant distances to work; enrolment patterns have changed, parents are making different choices regarding the type of school they want their children to attend and there is increased competition for schools. To address these challenges, the government has significantly increased funding for school infrastructure, primarily through the National Development Plans (NDPs). The Department of Education and Science, which is responsible for the school building and planning programme, has introduced a number of structural reforms in an attempt to better manage its responsibilities, including the devolution of responsibility for overseeing small maintenance and upgrading projects to individual school Boards of Management, the use of Public Private Partnerships and common designs for new school builds, and other innovative approaches. This case study examines the impact of these developments from a systems and organisational view point.

Ireland has done a remarkably cost effective job at managing and developing schools. The fragmented, small-scale, and voluntarily managed system is close to users and seems to reflect their preferences. The rapidly changing demographic context in Ireland, however, raises a number of challenges: 1) speed and responsiveness – new housing developments are being built in many cases without commensurate provision being made for the accompanying infrastructure, while in other cases it is being provided but the pace is such that it cannot keep up with demand; 2) agility – the population base of both new and existing neighbourhoods is changing so that the mix of schools may also need to change in order to serve both parochial and secular students; 3) capacity – the fragmented and voluntary nature of the current system may mean that some school boards and local authorities do not have the capacity, or the planning and development tools available (*e.g.* land banks, etc.) to anticipate needs, rally resources and manage or oversee projects; 4) coherence – the different sectors may not be sufficiently working together to help anticipate needs and to make the most of infrastructure (*e.g.* community use of school facilities)

These challenges raise questions about whether the Public Service as a whole has sufficient capacity to undertake school planning and whether the current governance structure is the best way to handle large-scale expansion and less predictable population

movements. By failing to look at the capacity of the system as a whole, the Department may, with the positive intention of improving service delivery and autonomy, have delegated responsibilities locally (for small scale projects, such as Summer Work Schemes) without necessarily giving individual school boards the commensurate supports, tools and capacity to perform. More specifically, under the current system, decision making and policy is centralised in the Department of Education and Science, while management and implementation is decentralised. Ireland may want to explore delegating some decision making so that it is adapted to local needs, but regroup some implementation (*e.g.* using larger Vocational Educational Committees (VECs) as centres of excellence) in order to benefit from economies of scale and to regroup competencies. Finally, there needs to be a discussion about whether a paradigm shift is required, in which the cost of fragmentation is communicated to local communities, so that a discussion can be started on how to find innovative solutions. This case study looks at other potential models for optimising strategic linkages in future planning, building capacity in a complex policy and delivery framework, while also balancing devolution, value for money and accountability.

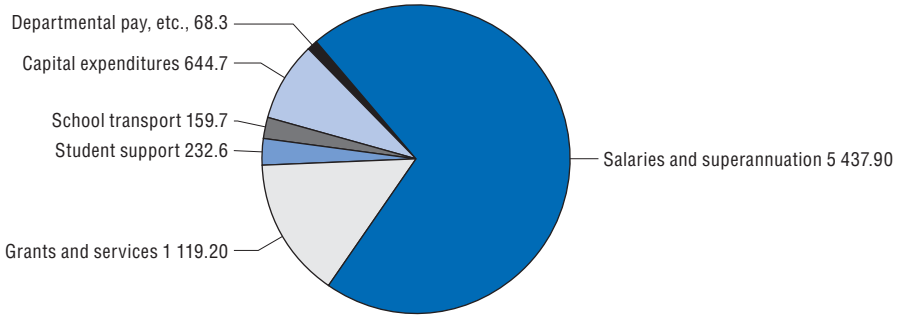
Context: New investments and policies in response to "infrastructural deficits" and a changing population base

In Ireland, there are over 3 200 first level schools, 750 second level schools, seven universities, 14 institutes of technology, 8 Colleges of Education, as well as eight other institutions that are aided by the State. Most of the first and second level schools in Ireland are privately owned and managed by local diocesan trusts and/or patron bodies, but funding is largely provided by the central government. The Department of Education and Science sets the general regulations for recognition of schools, prescribes the national curricula and establishes regulations for the management, resourcing and staffing of schools. It also negotiates teacher salary scales. For first (primary) and second (secondary) level schools, funding is provided directly to the individual schools. For third (post-secondary including community and technical colleges and universities) level schools, funding is channelled through the Higher Education Authority.[1]

The Department of Education and Science provides funding to all three levels of education. This includes salaries, pensions, operations, transport, capital, and student support (for those at third level only). In 2006, the Department for Education and Science spent EUR 7.7 billion (Figure CS4.1) on education of which over 70% was for salaries and employee benefits. Capital expenditures amounted to approximately 8.5%.

Figure CS4.1. **Irish Education sector: Financial support – all levels**

Areas of expenditure – Euro millions, 2006

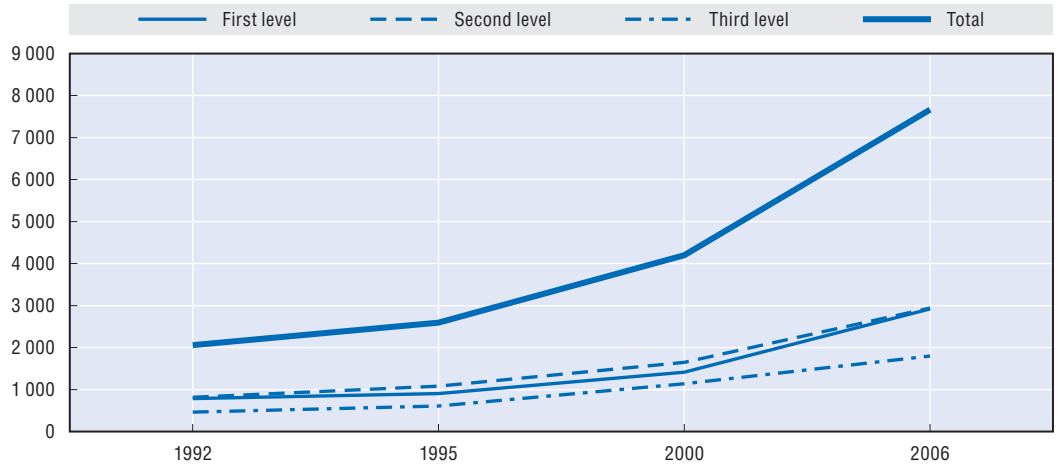


Source: Department of Education and Science.

Between 1992 and 2006, total expenditures on education increased significantly from EUR 2.1 billion to EUR 7.7 billion – an increase of nearly EUR 5.6 billion, of which EUR 3.5 billion occurred over the 2000 to 2006 period (Figure CS4.2). All three levels of schooling exhibited substantial boosts in their spending.

Figure CS4.2. **Nominal education expenditures in Ireland by level of education**

Euro millions, selected years

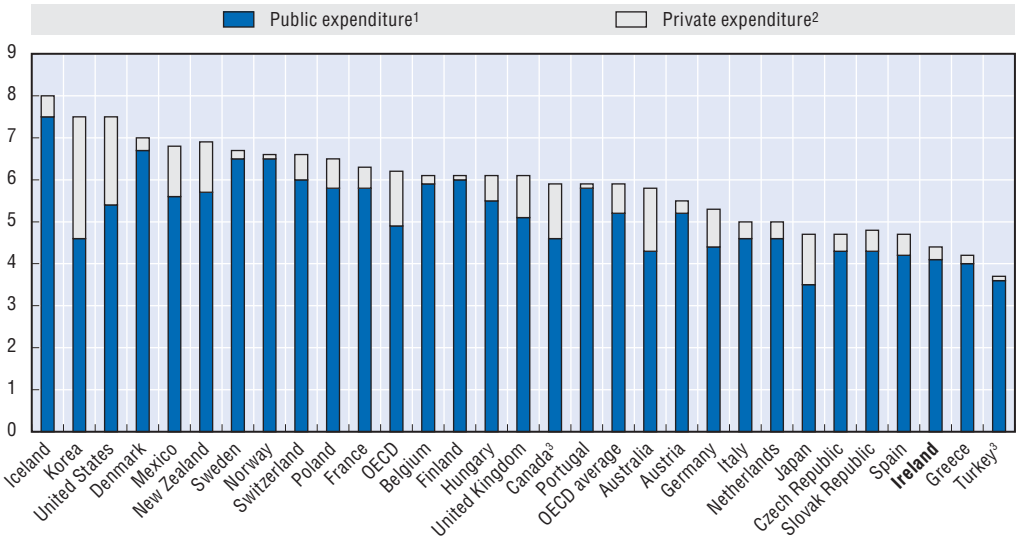


Source: Department of Education and Science.

Despite this period of "catching up", Ireland spends a relatively low amount on education as a percentage of GDP relative to other OECD countries (Figure CS4.3). This is in part due to the largely voluntary nature of school boards which have traditionally been

Figure CS4.3. **Expenditure on educational institutions**

OECD, percentage of GDP, 2003



1. Including public subsidies to households attributable for educational institutions. Including direct expenditure on educational institutions from international sources.
2. Net of public subsidies attributable for educational institutions.
3. Year of reference 2002.

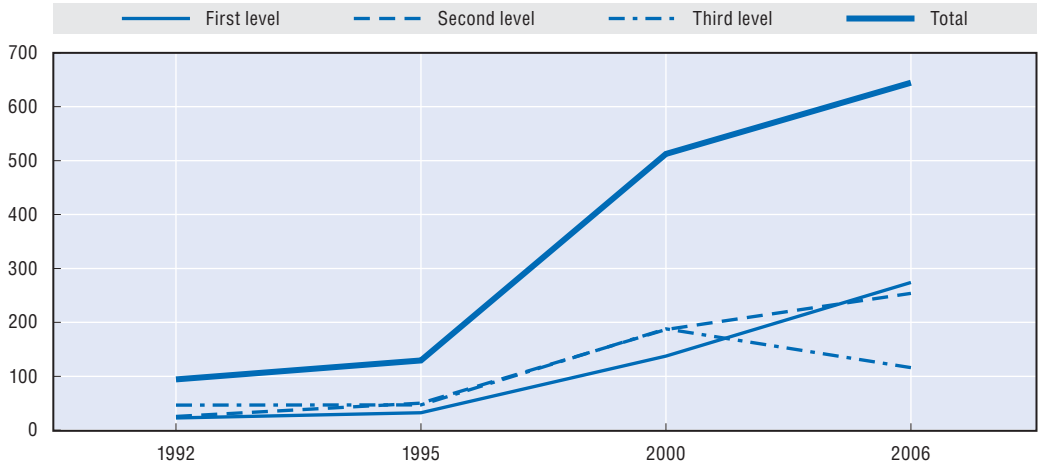
Source: OECD Factbook 2007.

supported and run by churches. This has not prevented the Irish educational system from achieving high quality outputs and outcomes: 80% of the 25-34 age group has attained at least upper secondary level education above the OECD average of 77%.[3]

Investment in the School Building Programme has increased by nearly 600% since 1992, from EUR 94.1 million to EUR 644.6 million in 2006 (Figure CS4.4), with the largest increase occurring between 1995 and 2000. Although all three levels of education registered substantial increases in capital spending over the 1992 to 2006 period, their profile differs somewhat. Increases in capital spending at the first level lagged behind the other two levels over the 1992 to 2000 period, but has expanded rapidly since 2000 and has now overtaken second and third level capital spending.

Figure CS4.4. **Irish Funding for School Building Programme**

Euro millions, selected years



Source: Department of Education and Science.

With the exception of the third level, the significant investment in capital spending since 1991-92 occurred in an environment of declining school enrolment. Total student enrolment in the 2005-06 school year was down 30 640 students compared to 1991-92 (Table CS4.1). Full-time enrolment at the first school level declined by 76 400 students between 1991-92 and 2005-06. Annual declines were recorded to 2000-01, with enrolment down 94 729 students from 1991-92 school year levels. Since 2000-01, however, there has been an increase of 18 329 full-time students. At the second school level, full-time student enrolment dropped by 16 510 since 1991-92, with annual declines recorded continuously since the 1994-95 school year. In contrast, there has been a large increase at the third level – up 62 270 since the 1991-92 school year.

The large increase in student enrolment at the third level coincides with the elimination of tuition fees for undergraduate students in 1995. This increase in turn required major new capital investments in new and existing facilities. In contrast, the increases in capital spending at the first and second levels were directed to address a significant historical infrastructure deficit in existing schools which had built up during the fiscal consolidation efforts of the 1980s. With increased economic growth and higher government revenues, the government was able to allocate expanding resources to address urgent needs in existing schools. A key objective of the National Development

Table CS4.1. **Key Irish education statistics: Full-time students, selected years**

	First level	Second level	Third level	Total
Number				
1991-92	534 289	348 917	74 449	957 655
1996-97	469 628	371 184	100 204	941 016
2000-01	439 560	345 384	119 991	904 935
2005-06	457 889	332 407	136 719	927 015
% change				
1991-92 to 1996-97	–12.10	6.38	34.59	–1.74
1996-97 to 2000-01	–6.40	–6.95	19.75	–3.83
2000-01 to 2005-06	4.17	–3.76	13.94	2.44
1991-92 to 2005-06	–14.30	–4.73	83.64	–3.20

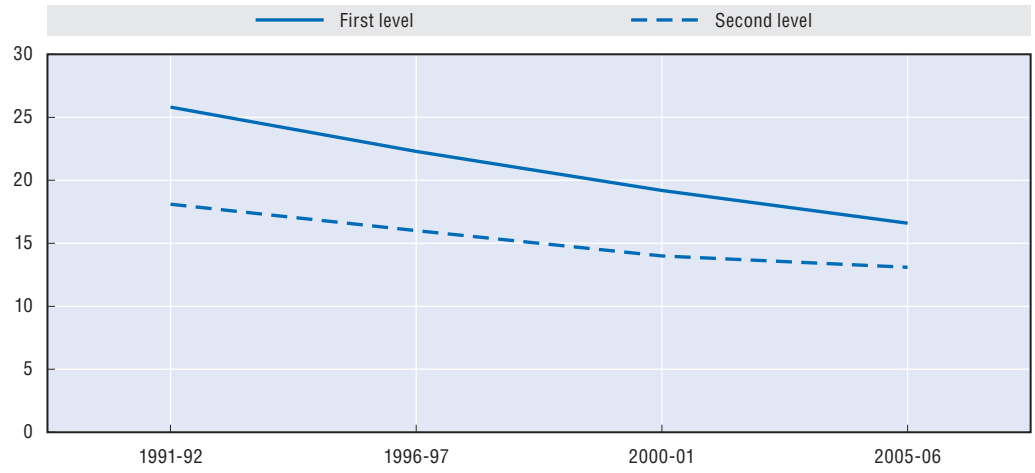
Source: Department of Education and Science.

Plan 2000-2006 was to address this school infrastructure deficit. The most recent National Development Plan (2007-2013) has earmarked EUR 4.49 billion for a schools infrastructure sub-programme (for first and second level schools).

Another key policy initiative affecting capital spending at the first and second level was the decision to lower the teacher-to-pupil ratios, requiring additional classrooms in existing schools, as well as some new schools. Between 1991-92 and 2005-06, the number of teachers at the first and second levels increased by nearly 13 000. This resulted in a drop in the pupil-to-teacher ratio at the first level, from nearly 26 in 1991-92 to about 17 in 2005-06 and, at the second level, from about 18 in 1991-92 to about 13.5 in 2005-06 (Figure CS4.5). New teacher positions have been created in response to initiatives to reduce class size, to cater to pupils in disadvantaged areas and to provide for those with special educational needs.

Figure CS4.5. **Key Irish education statistics: Teacher-to-pupil ratio**

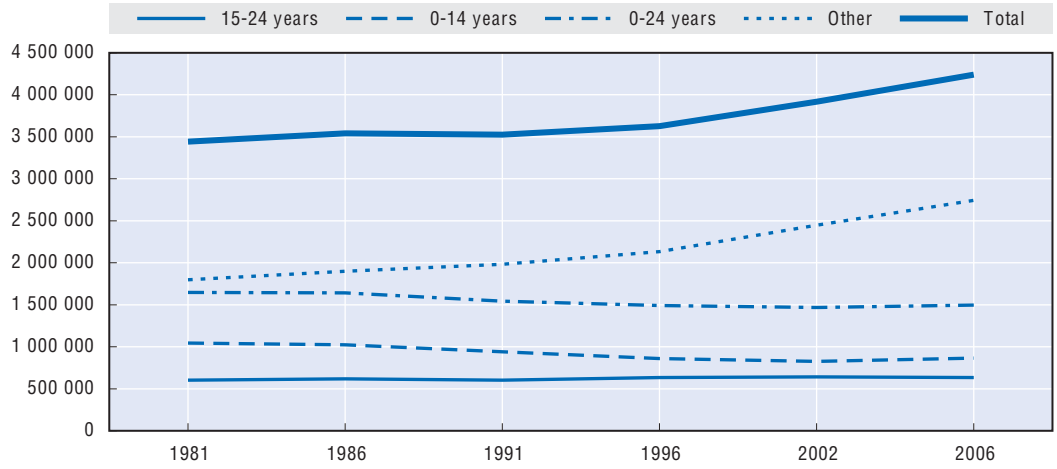
Selected years



Source: Department of Education and Science.

The school building program is now facing an additional challenge – a significant increase in school enrolment, especially at the first level. As noted in the chapter on Fiscal and Demographic Developments, strong economic growth has been accompanied by an increase in population. After a period of negative population growth between 1986 and 1991, due to net outward migration largely reflecting the economic slowdown at that time, Ireland has experienced a rapid increase in total population since 1991, up by over 714 000 since 1991, an increase of over 20%. However, the population aged 0 to 24 only increased in the latest census period. This profile is strongly influenced by a decline in the number of children aged 0-14, which have been recorded in each census period to 2002. In the 2006 census, an increase of over 37 000 was recorded (Figure CS4.6). The OECD projects that Ireland will experience the largest expansion in the population of the 5-14 year age group – 19% – among all OECD countries over the 2005 to 2015 period. This is primarily the age group in the first school level. In contrast, population declines are projected for both the 15-19 age group (primarily second school level) and the 20-29 age group (primarily third school level). Based on these demographic developments, the Department of Education and Science is expecting a boost in student population of 100 000 at the first school level over the next seven years.

Figure CS4.6. **Population by selected age groups**



Source: Central Statistics Office – Ireland.

As noted earlier, the rapid rise in population as a result of immigration is posing new challenges for the education system, most notably in relation to rapidly changing social and cultural needs, but also in terms of the changing demographic profiles of communities which requires quicker investment decisions and construction of new infrastructure. In the latest census, a significant portion of immigrants came from non-traditional sources, including Poland, Lithuania, other European Union countries excluding Great Britain and Northern Ireland, and from non-EU countries (see chapter on Fiscal and Demographic Developments).

In common with most developed countries, Ireland has moved from a largely rural population to a predominately urban one, with the cross-over occurring around 1966. The urban population currently represents about 61% of the total population. However, after decades of decline, the population living in rural areas has increased in recent years, albeit

not at the same rate as those in the urban areas. In addition, the trend in urbanisation is most evident in towns rather than in cities (Table CS4.2). The large urban centres have seen a decrease in population share in 2006 as compared with 2002, while the share of those living in towns has increased. With the government's 2003 programme of administrative relocation – relocating the headquarters of approximately half of its departments and 10 000 staff out of Dublin – this trend could well continue.

Table CS4.2. **Population statistics by area**

	2002	2006	Change	Proportion of total population	
				2002	2006
Large urban areas					
Dublin	1 004.6	1 045.8	41.2	26	25.1
Cork	186.2	190.4	4.2	4.8	4.6
Limerick	87	90.8	3.8	2.3	2.2
Galway	66.2	72.7	6.5	1.7	1.7
Total	1 344	1 399.7	55.7	34.8	33.5
Towns					
10 000 and over	496.2	615.9	119.7	12.9	14.8
5 000 to 9 999	233.9	272.7	38.8	6.1	6.5
3 000 to 4 999	99.5	108.6	9.1	2.6	2.6
1 500 to 2 999	114	128.3	14.3	3	3.1
Total	943.6	1 125.5	181.9	24.5	27
Other	1 570.9	1 646.8	75.9	40.7	39.5
Total	**3 858.5**	**4 172**	**313.5**	**100**	**100**

Source: Central Statistics Office – Ireland.

Significant progress has been made in addressing the infrastructure deficit in existing schools and addressing new policy initiatives, such as reduced class size. The key challenge for the school planning and building programme will be to address the emerging needs in the rapidly developing areas while doing so in a changing social and cultural environment.

Actors

Role of the central government

As noted earlier, the Department of Education and Science sets the general regulations for the recognition of schools, controls the curriculum and the public examination system, establishes rules and regulations for the management, resourcing and staffing of schools, controls the quality of school infrastructure, sets precise technical specifications regarding the design and build of new schools, and negotiates teachers' salary scales. The Department of Education and Science also exercises detailed budgetary control functions. The Minister of Education and Science approves recognition of a school for the purpose of the *Education Act 1998*. The Minister grants recognition where it has been demonstrated that there is sufficient demand and where no suitable alternative provision exists within reasonable distance. Once recognition is granted, that school is eligible to receive resources and funding from the government, provided it meets the terms and conditions set out in the *Education Act 1998*.

The central government, through the Department of Education and Science, provides most of the infrastructure funding for schools at all three education levels. Since 2000, overall funding projections are provided through the NDPs, which specify the aggregate

funding, with notional annual allocations over a multi-year period. Annual allocations are set out in the budget. Incremental funding beyond what is specified in the NDP may also be provided through the budget. In 2004, five-year multi-annual capital investment envelopes, with roll-over provisions, for public investment were introduced.

The Planning and Building Unit of the Department of Education and Science is responsible for the planning and accommodation delivery for the three education sectors. This includes funding for new schools, renovations/additions to existing schools and for maintenance costs. The Unit is divided into a number of sections at present, and the Department is currently reorganising the Unit to place particular focus on advance planning for rapidly developing areas:

School Planning Division:	Assesses and plans projects for the inclusion in the school building program. Uses census data and school population projections; contacts/engagements with local planning authorities and individual schools. Prepares detailed draft Area Development Plans for review and consideration by the Commission on School Accommodation.
School Building Section:	Manages the delivery of the school building program. Primary function is to approve projects based on greatest need, consistent with applicable National Development Plan.
Professional and Technical Unit:	Provides professional and technical advice to individual schools to ensure project is managed as approved. This is done through circulars, seminars, workshops, and direct contact, where applicable.
Public Private Partnership Unit:	Assesses and manages delivery of PPP projects. This is in its early phases of development. There are currently five pilot projects, although incremental funding was provided in both 2005 and 2007 for an additional project.
Third Level Building/ Finance Unit:	Manages delivery of projects at the third level (universities, technical schools) and processes payments for all levels.

The focus and scope of the Planning and Building Unit's work has changed dramatically over time. Traditionally, the Unit was involved in site acquisition, design and development and procurement through planning, construction, and post-contract administration, including equipment renewal programs, financial administration and audit. Following the *Pignatelli*[4] and *Cromien*[5] reports commissioned by the Department of Education and Science, internal procedures for decision making were streamlined and responsibility for construction oversight and post-contract administration (*e.g.* self-certification) for small-scale projects (typically ones under EUR 1 million) was devolved to the individual schools, with general oversight by the Planning and Building Unit. While part of the reason for this streamlining and devolution was due to the effective limit on public sector hiring and pressures on the capacity of the central Department, it was also in recognition of reducing bureaucracy at the central level and giving greater autonomy to schools for smaller scale projects. The Unit could not manage its traditional functions efficiently within its approved resource levels. To further reduce costs and streamline operations, the Unit introduced generic school building designs, bundling of contracts, build and design contracts and has become involved in public and private partnerships.

Other State government bodies also assist the Department and/or have direct responsibilities for school planning and building in their respective jurisdictions. The Commission for School Accommodation provides policy advice on the provision of school accommodation services at the first and second levels. Initially, the Commission's reports dealt with criteria and regulations on the recognition of new schools. Since 2004, the Commission has undertaken detailed consultations on draft Area Development Plans that are produced by the Planning and Building Unit on proposed new schools, renovations or

additions to existing schools, closures and amalgamations. Its recommendations are submitted to the Minister for consideration.

In most countries, like Ireland, it is the central/state/provincial government (depending on who has control over education) that sets education policy and provides most of the funding. However, the operation and management of schools in Ireland (along with New Zealand and Portugal) is different from most countries. At the first and second school levels (excluding vocational schools and community colleges), it is the individual school Boards of Management that are responsible. At the vocational school and community college levels, this responsibility rests with the VECs. At the university and college level, in-house expertise has been developed to manage responsibilities such as building projects.

There are 33 (28 county and five city) VECs which generally follow county boundaries. The VECs are headed by a Chief Executive Officer who is responsible for the administration of the vocational schools in that area. This includes responsibility for the planning and building of new schools, renovations and extensions to existing schools, pending approval of funding by the Minister of Education and Science. The professional management structure of each VEC, coupled with responsibility for several schools in its area, allows them to build up experience and expertise in school planning that can be reused as new projects come up. The Higher Education Authority (HEA) has statutory responsibility for furthering the development of higher education and assisting in the co-ordination of central government investment in higher education.

Role of private sector/school boards

As noted earlier however, most first and second level schools are privately operated, and the principal of the school is responsible for the day-to-day operation of the school. He/she answers to a Patron, who can be either an individual or a group, representing the owners of the school. The patron may manage the school personally or may appoint a person or group, such as a Board of Management to act as a manager. Most primary and secondary schools are run by either the Catholic Church or the Church of Ireland and the bishops or religious orders are the patrons of schools within the churches' diocese. In multi-denominational schools, the patron is usually the board of trustees of a limited company, such as Educate Together. The dominance of the religious orders has been decreasing over time, which is a result of an ageing clergy, a reduction in the numbers of new vocations to religious life and changing demographics.

At the first and second school levels, the school Patron is responsible for initiating the necessary steps for having a school recognised by the Minister of Education and Science.

Table CS4.3. **Patrons of primary and secondary schools**

	1995		2006	
	First level	Second level	First level	Second level
Catholic Church	2 966	424	3 032	366
Church of Ireland	189	25	183	25
Multi-denominational	18	317	40	338
Other	20	2	25	2
Total	**3 193**	**768**	**3 280**	**731**

Source: Department of Education and Science.

Once recognised, the Patron is responsible for establishing a Board of Management for the school, appointing the elected representatives to that Board and nominating the Chairperson of the Board. One of the members of the Board is typically the school principal and most Boards include a parents' representative and a representative for the teaching staff. Separate boards are set up for each school. The Board, which generally meets after school hours as required (members participate on a voluntary unpaid basis) is responsible for the day-to-day governance of the school, subject to the regulations set out by the Department of Education and Science. The Board engages professional teams in consultation with the principal and school community, to formulate proposals for renovations or improvements to existing schools, and submits these proposals to the School Planning Division for consideration. Once approval is received, it is the responsibility of the schools to engage with locally retained private sector contractors to deliver the project as per the agreed terms of the contract, and to manage the project within the funding provided. Cost overruns must be covered by the individual school.

As Board members are voluntary and may have little or no expertise or capacity to assist in regular liaison with the contractors, this function is usually delegated or assumed by the school principal. This puts additional pressure on the school principal, who apart from performing his/her normal duties (teacher, school administrator, etc.), must also engage at the local level with the consultants (project managers, architects, engineers, etc.) on an ongoing basis regarding the renovation/expansion of the school. Principals may need to give clarification on requirements or preferences regarding school and/or community facilities, or liaise on access to the building and site outside of usual office hours, or on arrangements regarding water/electricity if these need to be shut-down for safety reasons during school hours. Those Boards that do include professionals/experts in planning and construction, or who can call on parents of children in the school with such expertise, are fortunate, especially if these members get actively involved in the project.

The Irish school system is fragmented and small-scale: over 50% of schools in Ireland have 4 or fewer teachers, and each individual voluntary board typically manages a single school. This is the result of the system's historical evolution and is in keeping with the preferences of many Irish citizens, but it results in a system that lacks efficiencies of scale.

Role of the local government

Until recently, local governments have not been directly involved in school planning. However, in the current environment of strong economic growth and rapid population increases, a number of local governments have come to realise the implications of developments in their area and have begun to take better account of reconfiguring existing school facilities, or providing for new ones, in their future planning. The central government has also recognised this and negotiations are ongoing at present between the Department of Education and Science, and the Department of the Environment, Heritage and Local Government, to establish protocols that would encourage and facilitate a more active, integrative and transparent role by local governments in the development of strategic longer-term plans for schools. This includes the identification/provision of sites for schools in their respective areas.

In the approval of new housing developments, progressive local government authorities (notably Fingal County Council), are negotiating with the developers/builders for school sites, arguing that earlier identification and provision of such sites provides both tangible and intangible benefits in the promotion and sale of properties in their

development. In doing so, they are better placed than the Department of Education and Science in obtaining not only appropriate sites within the proposed community, but also more favourable land sale prices for the proposed sites, and other community service indemnities. The local government authorities are compensated by the Department of Education and Science. In return, the local government authorities are able to use any savings made from the negotiated land sale price and the market value for community service related facilities in the proposed schools.

County/city development boards (CDBs) have been established in each of the 34 county/city councils to provide an integrated approach to the delivery of State and local services. County Development Plans are prepared by the local authority once every five years. These plans include indicators of population growth and potential new housing developments, which are used by the School Planning Division to assess future school building requirements in the respective areas.

Responsibility for school planning and building in other countries

Few countries have devolved the responsibility for school infrastructure oversight to individual schools and their Boards of Management to the extent that Ireland has. New Zealand and Portugal also have one Board of Management (or Trustee) per school. In the case of New Zealand, management of individual schools is the responsibility of elected boards of trustees, much like in Ireland, even though the majority of schools are owned and funded by the central government. Long-term planning issues, however, are dealt with on a more systematic basis rather than on the foresight and management acumen of the individual board. In New Zealand, the board of trustees prepares and implements a Ten-Year Property Plan that identifies and prioritises maintenance and capital projects and looks after the day-to-day property requirements. The boards also engage property managers who are responsible for the management of applicable building projects. School principals are not directly involved in the oversight of extensions, etc. of their existing school.

In most other OECD countries, local government authorities play a much more active role in school planning and building because of their knowledge of local community needs. In general, first and second level schools are grouped together and managed either by the local government authority in that area or by elected schools officials, who, in turn, are supported by in-house professionals and technical personnel. In some jurisdictions such as Ontario, Canada, this is done along private (religious)/public lines. These local/school authorities are responsible for identifying current upgrades, closures/amalgamations and future accommodation requirements through long-term planning. They are also responsible for working with other stakeholders (*e.g.* parents, school principals, local governments, contractors, etc.) and for acquiring the expertise, either in-house or through contract, to oversee and manage capital projects.

In the case of school boards responsible for a number of schools in a particular area, they work closely with local governments in the proactive identification of future needs such as securing required land for new school facilities. They also interact with parent associations and other stakeholders to determine the most efficient use of school properties, to rationalise school facilities which may entail closures and amalgamations of existing schools. In other cases, for example, in the Netherlands, the administration and management of primary and secondary schools is delegated to the municipal or local

government authorities. They are responsible for the planning, construction, renovation, extension, and maintenance of all school buildings. They also have statutory authority to ensure maximum use of the school buildings.

Policy goals

The key objective for the school planning and building programme, as stated in the Department of Education and Science Annual Report 2006, is:

> "We will plan for and provide suitable cost-effective accommodation to underpin the delivery of quality education."

This objective supports the government's policy measures outlined in the 2007 *Agreed Programme for Government, Towards 2016* (and previous Agreements) and in the *National Development Plan – 2007-2013*. As indicated, the current National Development Plan has earmarked nearly EUR 5 billion for investment in first and second level school infrastructure, with an additional EUR 1.4 billion earmarked for third level infrastructure. Of this amount, over EUR 1 billion has been earmarked for public private partnerships (PPPs). The programme will aim to:

- provide new schools in rapidly developing areas;
- provide appropriate facilities to teach all subjects within the revised Primary Curriculum;
- provide accommodation for additional teachers made available by improvements in special education provision, language support and reduced class sizes;
- provide for the introduction of revised subjects at post-secondary level such as Technology and Art, which have specialist IT and equipment requirements; and
- provide improved facilities for the practical work required by the third level science syllabus and support the completion and assessment of practical coursework in the Leaving Certificate examination.

The main focus will be on the provision of additional school places in rapidly developing areas. The Department's strategies to deliver this will include:

- pro-active planning by close and regular engagement with local authorities;
- the implementation of a partnership approach with local authorities to deliver community facilities in tandem with new schools;
- the active participation, where possible, of school management authorities;
- early involvement in education provision in strategic development zones;
- publication and implementation of area development plans; and
- use of "Generic Repeat Designs" and "Design and Build" contracts for new primary and post-primary schools and an openness to the delivery of schools by innovative methods intended to reduce waiting times for permanent school accommodation.

Issues

The school planning and building programme has undergone significant changes over the past few years, with many of the responsibilities for planning and building of small scale projects devolved to the individual Boards of Management. This was done in an environment of declining school enrolment, especially at the first level, and in response to constrained administrative resources. Many aspects of the current system have only

recently been put in place and it is too early to assess the full impact of many of these changes. Area Development Plans have been conducted for seven of the 34 areas and official assessments of the pilot PPPs by the Department of Education and Science have not yet been completed.

However, with the increase in population, the environment is changing again. At the first level, it is projected that an additional 100 000 spaces will be required over the next few years. Although some of these additional spaces will be accommodated within existing schools, new school facilities will be required in the more rapidly developing or more densely populated areas many of which are on the periphery of the large urban centres. Increased net migration has also resulted in much more cultural diversity than in the past, leading to new demands on the education system. The following sections identify a number of issues that will need to be addressed to successfully meet the new challenges.

Speed and responsiveness: inability to anticipate investments

As noted, the current system of administering the school planning and building programme was put in place at a time of an overall decline in school enrolment and tight fiscal control on departmental administrative budgets. However, the current environment is much different from that of the 1990s. The population has increased significantly resulting in new communities, in new locations, and increased cultural diversity. New government policies have been aimed at reducing class size and addressing special educational needs. Because local authorities do not have statutory responsibility for this area the school planning and building system has not been able to respond adequately to this pressure. The current National Development Plan has provided incremental funding for new school facilities to 2013. Although funding has been earmarked, the identification of all the potential requirements that are likely to arise over this period has not. The Department of Education and Science has produced a limited number of Area Development Plans, which have identified requirements for expanded and/or new facilities and the closure of others. However, the current system is slow in reacting to the new pressures and in the identification of new investments.

Additional budget flexibility would enable the Department of Education and Science to be more responsive. Currently, strict expenditure regulations included in the Multi-Annual Framework set out by the Department of Finance limit the ability of the Planning and Building Unit to ensure that the annual spending allocations set out in the budget can be achieved. In-year changes to the spending profile are difficult to accommodate due to the lack of flexibility, which would provide the authority for incremental in-year spending. Although the Department of Finance has recently permitted the carry-over of 10% of approved capital expenditures in the current fiscal year to future years, the amount of funding currently available through the NDP requires more flexibility to allow the Planning and Building Unit to respond to unforeseen emerging developments. The approval process for funding for new projects is quite slow as it requires detailed consultation with a range of organisations and careful checking of the plans before they are approved. In recent years, increased pressures due to demographic changes mean that the approved funding set out in the budget is insufficient to cater for all emerging needs, especially in urban areas of rapid population growth. This has led in the past year to curtailment of some activities, as funds are prioritised towards ensuring that sufficient school places are available to meet demand. As more Area Development Plans are prepared and updated,

future planning within approved reference levels may be facilitated as there will be an inventory of new projects for funding for a five-year time framework.

Agility: current patronage model not up to new challenges

As noted earlier, the majority of primary and secondary schools are run by either the Catholic Church or one of the other faith denominations, and the bishops or other faith leaders are the patrons of schools. They are responsible for the identification of new schools and remediation/expansion of existing schools in their diocese. In the environment of declining school enrolment, the identification of new schools was not a major issue. Their focus, instead, was largely on the maintenance and possible extensions of existing facilities. However, the increase in population, combined with a decline in the number of vocations to the religious orders has stretched the resources available to the churches to identify and operate new schools while effectively managing their existing schools. In addition, falling church attendance has led to a reluctance on the part of main churches or religious orders to step up and become patrons for schools in areas where it is unclear what the likely religious persuasion of the majority will be. Increasingly, given the growing ethnic diversity in Ireland, parents (both Irish and new immigrants) are choosing to opt for non-denominational or multi-denominational schools, such as Educate Together, where schools are 'parent-initiated' and the patron is a company limited by guarantee.

The increase in demand for new school facilities has left some areas without a school patron and a Board of Management to manage the building and operation of new schools. In these cases, the responsibility falls back to the Department of Education and Science.

Capacity: uneven management capacity within the Public Service

The result of the devolution of school planning and building responsibilities is that school authorities, usually the school principal, now have additional pressures regarding liaison with the on-site project manager or consultants, during school refurbishments. Each project must have a "Project Supervisor Design Process" person and it is the responsibility of the voluntary Board of Management to appoint this person and appoint a design team of 4 professionals – architect, surveyor, building engineer and civil/structural engineer. This requires that school principals (over and above his/her responsibilities for school administration and teaching) and/or Boards of Management to have a minimum understanding of procurement and contracting procedures in order to manage such appointments. While Boards usually have a Buildings sub-committee, for small schools (over 50% of schools in Ireland have 4 or fewer teachers) many of these are small schools, who are now responsible for hiring appropriate consultants and overseeing the project. Some Boards need to develop new skill sets to successfully manage projects under the terms of agreement, including those under PPPs.

This requirement for Boards of Management or principals to become more actively involved in the provision of new school facilities may have been in reaction to a rather homogenous demographic structure, stable population base and person-year limits at the central government level. The typical career path of most principals is to stay in the same school where they were originally appointed. This means that after successfully acquiring the skills to interact in a meaningful way with the technical consultants responsible for delivering the school building project, most school principals will not have the opportunity

to use these skills again in their career. In addition, the requirement to devote a considerable amount of time to advancing the project and ensuring that the interests of the school community are not overlooked implies that his/her "core" functions – as administrator and teacher[6] – may be compromised, especially in the smaller schools. Furthermore, the fragmentation of the system makes it too difficult to build up shared in-house expertise in these areas, as has been the case with some VECs.

While the Department of Education and Science authorises and pays the school authorities to engage external technical consultants to design the buildings and manage the construction process on site, it has not provided them with additional administrative resources to carry out their increased responsibilities. The Ministry of Education in New Zealand, in comparison, is heavily involved in the oversight of both existing properties and new construction/renovations through the regional offices.

The Department has introduced a number of initiatives to streamline the process and to provide technical assistance through information circulars and seminars. However, in the case of first level and most second level schools, there is no intermediate agency between the Department of Education and Science and the individual schools. This is unlike the case for the VEC sector where the larger Vocational Education Committees, such as County Dublin VEC, have built up in-house expertise to manage the planning and building of new facilities, as well as the remediation/expansion of existing ones in their respective areas. It is also unlike most other countries, which have either local governments or school boards responsible for a number of schools rather than just one, acting as the intermediate agency and responsible for all aspects of school building planning and facilities. The projected increases in school enrolment, as well as providing additional spaces to meet government policy initiatives with respect to the revised Primary Curriculum, reduced class size, and special needs, will place additional demands and stress on the individual Boards of Management and their principals. The current model may no longer be applicable to meet these increased requirements in a co-ordinated, cost-effective and consistent manner.

Coherence: uneven local government authority involvement

The involvement of local government authorities across the country in the identification and planning of new school accommodation is varied. In some areas, local government authorities are very active, and these tend to be in areas of population growth and new housing developments. These authorities see the value of a co-ordinated approach to school buildings and community-related services. They also are in a position to negotiate more favourable land site agreements with prospective builders for school properties.

However, this is not the case throughout the country. In areas where new housing construction is on a considerably smaller scale, the role of the local government authorities in planning new schools and renovations/additions to existing schools is significantly reduced. In areas of less robust economic and demographic growth, for example, local government authorities, while involved in consultation with the Department of Education and Science regarding site acquisition, are not significantly involved in the planning of new school projects. Only if there is a need for expanded community facilities do local government authorities get actively involved. In the case of existing schools, individual Boards of Management or school principals more normally initiate contact with local government authorities about the possible inclusion of space for community-related

facilities. This level of autonomy makes sense, given that local schools will have more knowledge and awareness of community and local needs, and as such are better placed to hold discussions on a bilateral basis with local authorities.

In a recent policy document, the government indicated that local authorities needed to become more involved in school planning. It made a number of proposals including that no rezoning of land for residential development take place without prior commitment of an appropriate proportion of land for schools. A *Developing Areas Unit* has been established within the Department of Education and Science to liaise with local authorities, identify where new schools are needed and ensure that they are delivered in the fastest possible timeframe. In addition, as indicated, discussions are underway with the Department of the Environment, Heritage and Local Government to develop agreed protocols and procedures which local authorities would need to follow to ensure proper planning for new schools and extensions of existing schools. And finally, it proposed to promote and support the use of school facilities by community groups and other appropriate services and to design new schools in order to facilitate multi-use of their facilities. These proposals would significantly improve planning at the local level and ensure that local authorities and the community are aware of their planning decisions on school accommodation.

Conclusion

The environment in which the planning and building process operates has changed considerably since the reforms to the system were introduced in the late 1990s. Previously, the overriding objective was to address the fiscal imbalance. However, renewed and unparalleled economic growth, accompanied by both an increase in population and cultural diversity has placed renewed pressure on the school planning and building program. In response, the government has undertaken a number of Area Development Plans to identify needs, consult with affected stakeholders and implement the resulting recommendations with respect to school accommodation. It has indicated that it will seek more local involvement, especially by local governments, in the identification of emerging needs. It has introduced public private partnerships to reduce costs and improve efficiency.

However, at the primary and secondary school level, the basic structure of individual school patrons responsible for the identification and oversight of school accommodation issues remains basically unchanged. Their capacity to effectively manage the new challenges has been limited by the declining role of the religious orders. A new patronage model is required to meet the challenges of an increasing school population and the changing preferences of a more diverse multi-denominational population. Local governments need to be more actively involved in the planning and identification of new and expanded school facilities as part of their planning and approving of new residential projects. This is required not only to ensure school facilities are in place to meet the increased demand, but also be ensure that such projects are an integral part of community life. The Department of Education and Science also needs to be more pro-active in longer-term planning, working with local authorities and other government departments to identify and provide additional spaces. Their traditional role of providing funding and technical assistance to individual Boards of Management needs to be expanded, for ultimately, it will be the government that will be held accountable for ensuring that there are adequate spaces to meet the increasing demands.

When considering new or changed structures for education it is important not to view school planning and building needs in isolation. Ireland has a highly centralised education system, with very limited intermediate structures between the Department of Education and Science, and the significant majority of schools in the system. While such structures have undoubted advantages and are administratively cost effective, issues arise as to the most appropriate structural shape of the system into the future. Ireland retains a large number of very small primary schools which are regionally dispersed and each one of these requires investment at the level of Principal and Board of Management.

In order to meet these challenges, the Department of Education and Science must work with a network of partners both inside and outside of the Public Service. While its policy responsibilities remain fairly centralised, implementation is a shared responsibility. Sharing expertise through networks and pooling some implementation responsibilities can help to meet some capacity issues and gain benefits of scale without necessarily losing the small and local nature of the school system.

Ireland had a debate in relation to the regional structures in education in the 1990s and ultimately decided against these. Some of the larger Vocational Educational Committees however, have a capacity to react to change and to promote and

Box CS4.1. **Key recommendations**

Strengthen workforce planning: While the Planning and Building Unit of the Department of Education should continue to provide support to schools, they need to also ensure that at the local level Principals and Boards of Management have the necessary management and oversight skills to ensure they liaise effectively with project managers and consultants they have engaged to oversee projects. Functional reviews would also help devise a long-term strategy to help determine whether these services should be delivered by government employees or by government-funded private firms.

Devolve authority to local government: A number of innovative approaches exist at the local authority level such as land banking and rezoning. The government should explore how it can further promote such good practices by communicating successful experiences. It should also make available template agreements, both between the Department of Education and local authorities for the procurement of school sites, and between local authorities and private developers

Create framework for developing and sharing skills: Ireland should decide what reforms can best encourage the formal and informal development and sharing of school planning and building capacity, and develop a plan with consultation from stakeholders. Strategies can range in level of ambition, but will require that stakeholders understand why the reforms are needed. Some possible approaches: 1) reforming the school board structure in order to amalgamate schools and/or school districts in order to better build up and share competencies; 2) promoting an internal service market where Vocational Education Committees could propose school planning services to school boards; 3) encouraging greater mobility of school principals with school planning experience; or 4) encouraging informal networks and conferences for the exchange of good practices.

Improve linkages with local authorities: The proposed Developing Areas Unit within the Department of Education and Science should not restrict its work to developing areas, but should be applied to all areas in the country in order to help meet changing demographic needs.

oversee building projects in their areas of responsibility. The VEC structure which has been a feature of Irish education since the 1930s still plays a limited role in relation to wider education provision, albeit this is expanding somewhat with the evolution of a new patronage model for primary schools. They have built up expertise to manage school facilities and identify emerging needs within their geographical areas of responsibility. Such an intermediate agency may now be required for the first and second levels of education as well, as is the case in most OECD countries. Such an agency could be the local governments or a new structure encompassing a number of schools in a geographical area. It would still be accountable to the citizens in that area. However, it would assume responsibilities for the planning and building of new schools in that area as well as the maintenance and operation of existing schools. This would allow the individual schools to focus on their core responsibilities in providing high quality education to their students.

While the area of school planning and building provides an insight into some of the challenges faced by the education system, the debate in relation to changed structures and responsibilities is clearly a wider one and ultimately best decided by reference to the wider education challenges and landscape.

Notes

1. This is a statutory body whose functions include funding universities and other designated third level institutions, developing third level education that meet the needs of the community, and offering advice on all matters relating to third level education. The various roles and responsibilities are set out in the *Universities Act*, 1997 and the *Education Act*, 1998. For the purposes of this case study, the *Education Act* defines the roles, responsibilities and functions of the Boards of Management and the State for recognising the funding of schools. The *Universities Act* outlines the conditions for the incorporation of universities, and the governance for those in receipt of state funding.
2. OECD (2007d).
3. Information from Eurostat for the period 1999 to 2006, indicates that in 2006, the rate of Irish persons aged 20-24 years attaining at least the equivalent of a Leaving Certificate (the exam taken on leaving second level school in Ireland) was 85.7.
4. July 1999 report on *Prioritisation of School Building Projects* recommended allocating projects into bands for improved decision making.
5. October 2000 report on the structures and procedures of the Department of Education and Science recommended devolution of certain aspects of school planning and building.
6. Many School Principals are "teaching" Principals, retaining a set number of teaching hours per week.

ISBN 978-92-64-04325-1
OECD Public Management Reviews : Ireland
Towards an Integrated Public Service
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eTenders Public Procurement: *www.etenders.gov.ie*.

Eurostat: *http://epp.eurostat.ec.europa.eu*.

Information Society Commission: *www.isc.ie*.

The Institute for Citizen-Centred Service: *www.iccs-isac.org*.

The Irish Public Procurement Portal : *www.procurement.ie*.

The Revenue Online Service: *www.ros.ie*.

ISBN 978-92-64-04325-1
OECD Public Management Reviews : Ireland
Towards an Integrated Public Service
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ANNEX A

Methodology

As the first review of its kind, the OECD review of the Irish Public Service has served as a pilot in developing a generic methodology for the examination of public management and public governance issues in OECD countries from a comparative perspective.

Definition of the analytical framework

In the first stage of the review, the OECD Secretariat developed a "methodology paper" in agreement with the Irish High-level Steering Group concerning the objectives, analytical framework, issues to be covered, approach and timeline of the study. The review is structured on the basis that different parts of the Irish Public Service each contribute to developing the policy, inputs, implementation, outputs and outcomes of the public sector. How these elements interact leads to a focus on issues of sustainability, capacity, coherence (both vertical and horizontal), rule of law, effectiveness and efficiency, openness, accountability and agility.

The methodology is also based on OECD publications in a number of functional areas including e-government, public budgeting, performance management, human resource management, agencies, regulatory reform and regional development (see bibliography) The terms of reference for the review instructed the OECD to focus on two key tasks:

- to benchmark the Public Service in Ireland against other comparable countries, including identification of appropriate measures to compare the productivity and effectiveness of the Irish system, or discrete elements of it, against comparable international best practice, and
- to make recommendations as to future directions for Public Service reform which will support the Irish Government's drive for delivery of world class services to the citizen, within existing resources commitment, and contribute to sustainable national competitive advantage.

Inputs

The report is primarily qualitative in nature, presenting a combination of description, analysis and judgements gleaned from reports and official documents, and field interviews, on the one hand, and comparative data from OECD research and databases, on the other.

OECD research

In order to place Irish public service reforms in a broader international context, the OECD drew on a number of its on-going data collection activities to "benchmark" Ireland as agreed in the Terms of Reference. These sources include the "Management in Government: Comparative Country Data" (Indicators) project which is developing public sector indicators, as well as various public sector questionnaires and databases administered by the OECD.

It is the intention of the OECD that in the future, the review process for such public management reviews will be further aligned with OECD work on government indicators in order to strengthen the quantitative and baselining dimensions of the reports.

Reports and official documents

The study drew upon a wide range of government documents across sectors and functions. Information was also drawn from recent relevant reports and reviews of Ireland from the OECD, other international organisations, academia, the private sector and other sources.

The Irish Public Service is exceptionally well documented, with a large body of work produced by public bodies such as the Committee for Public Management Research (CPMR), Institute of Public Administration (IPA), Economic and Social Research Institute (ESRI), Partnership bodies, and universities as well as by the private sector (*e.g.* PA Consulting, Indecon). However, much of this work has focused on the Civil Service, the health sector, local government sector, and State agency sectors.

Interviews

The review team conducted a series of over 100 interviews with Irish government officials, Social Partners, Ministers and members of Parliament, and other stakeholders from relevant interest bodies, the private sector, and academia. The mix of organisations and interviewees was selected to show a broad and representative insight into the main issues and challenges regarding public management in Ireland.

Interviews took place 22 January 2007-30 March 2008, and covered the general structure and function of the Irish Public Service, judgements on the efficacy of reforms and structures to date, and sector issues related to the case studies. These in-depth interviews were carried out by six members of the OECD Secretariat, consultants, and three national experts from OECD member governments: Knut Rexed (Sweden), Juhani Turunen (Finland), and Adam Wolf (Denmark).

All interviews, which were strictly confidential, followed a structured set of questions, covering each of the main themes of the report. The interviews focused on the more informal issues that would less likely be covered in formal analyses and studies.

OECD interviews: Political level

- Taoiseach, Mr. Bertie Ahern T.D.*
- Tánaiste and Minister for Finance, Mr. Brian Cowen T.D.
- Minister for Health and Children, Ms. Mary Harney T.D.

* Teachta Dála: member of Dáil Éireann, the lower chamber of the Oireachtas (Parliament) of the Republic of Ireland.

- Minister for Education and Science, Ms. Mary Hanafin T.D.
- Minister for Justice, Equality and Law Reform, Mr. Brian Lenihan T.D.
- Minister for Environment, Heritage and Local Government, Mr. John Gormley T.D.
- Deputy Leader, Fine Gael, and Spokesperson on Finance, Mr. Richard Bruton T.D.
- Deputy Leader, Labour Party, and Spokesperson on Finance, Ms. Joan Burton T.D.
- Chairman of the Public Accounts Committee, Mr. Michael Noonan T.D.
- Chairman of the Joint Committee on Finance and the Public Service, Mr. Michael Finneran T.D., and Vice-Chair, Dr. Martin Mansergh T.D.
- Chairman of the Oireachtas Joint Committee on the Environment and Local Government, Mr. John Cregan T.D.
- Chairman of the Oireachtas Joint Committee on Health and Children, Mr. John Moloney T.D.
- President of the Association of County and City Councils, Councillor Tom Kelleher.

OECD interviews: Other

- Advisory Group on Garda Management and Leadership Development
- Assistant Secretaries' Network
- Association of Chief Executives of State Agencies (ACESA)
- Association of Chief Superintendents
- Association of Garda Sergeants and Inspectors
- Association of Garda Superintendents
- Cavan County Council
- CEOs of a number of State Agencies
- City and County Managers' Association
- Comhar, Sustainable Development Council
- Commission on School Accommodation
- Consultative Panel for OECD Review
- Dublin City Council
- Economic and Social Research Institute (ESRI)
- Environmental Protection Agency
- Fingal County Council
- Health Service Executive (HSE) Management
- Health Services National Partnership Forum (HSNPF)
- Dublin City Council
- Garda Commissioner
- Garda Inspectorate
- Garda Representative Association
- Health Services National Partnership Forum
- High Level Steering Group (Secretary-General Level)
- Indecon Economic Consultants
- Institute of Public Administration (IPA)

- Irish Business and Employers Confederation (IBEC)
- Irish Patient's Association
- Irish Waste Management Association
- Liberties Primary Care Team
- Limerick County Council
- Local Government Audit Service
- Local Government Computer Services Board (LGCSB)
- Local Government Management Services Board (LGMSB)
- Monaghan Alliance
- National Centre for Partnership and Performance (NCPP)
- National Economic and Social Council (NESC)
- National Economic Social Forum (NESF)
- OECD Liaison Group (Assistant Secretary-General Level)
- Ombudsman and Information Commissioner
- Our Lady of Lourdes Hospital, Drogheda (including GPs in the North East)
- Our Lady's Hospital, Navan
- PA Consulting
- Patient Focus
- Performance Verification Group (PVG) – Education Sector
- Public Appointments Service
- Public Services Committee, Irish Congress of Trade Unions (ICTU)
- Representatives of Government Departments and Offices including:
  - Agriculture, Fisheries and Food
  - Arts, Sports and Tourism
  - Communications, Energy and Natural Resources
  - Community, Rural and Gaeltacht Affairs
  - Education and Science
  - Environment, Heritage and Local Government
  - Finance
  - Health and Children
  - Justice, Equality and Law Reform
  - Social and Family Affairs
  - Taoiseach
  - Transport
  - Comptroller and Auditor General
  - Office of the Minister for Children
  - Office of the Revenue Commissioners
  - Reach

- Social Partner Pillars – Irish Congress of Trade Unions (ICTU), Business/Employer Pillar, Farming Pillar and the Community and Voluntary Pillar
- South Dublin County Council
- St. James's Hospital
- St. Vincent's University Hospital
- Trinity College Dublin
- Trustees of a number of schools

Peer review

In the assessment phase of an OECD Peer Review, the main findings of the review are typically discussed in a plenary meeting of the body responsible for the review. The examiners lead the discussion, but the whole body is encouraged to participate extensively. Following discussions, and in some case negotiations, among the members of the body, including the reviewed country, the final report is adopted, or just noted by the whole body. Generally, approval of the final report is by consensus, unless the procedures of the particular peer review specify otherwise (see *Peer Review: An OECD Tool for Co-operation and Change*, OECD, 2003).

For the Ireland review, it was decided to have a "closed" peer review process, with the participation of 5 countries: Denmark, Finland, Netherlands, New Zealand, and Sweden. This meeting took place in Dublin on 7 December 2007, with the participation of the peer reviewers, the OECD Secretariat and consultants and the members of the Irish Liaison Group for the review.

Independence, neutrality and verification of inputs

Within a framework agreed with the High-level Steering Group of the Irish Government, the study was conducted with guidance from the Department of the Taoiseach which did not bias the study or influence the final conclusions in any way.

The report was drafted by the OECD Secretariat with input and comments from the five peer reviewers: Denmark, Finland, Netherlands, New Zealand, and Sweden. The OECD regularly briefed both the High-level Steering Group and the OECD Liaison Group on the progress of the review. The text also benefited from fact-checking, consideration and feedback by these two groups.

Economic and sector analysis, in particular for the case studies, benefited from an internal OECD review of sector data and analysis by colleagues in the Economics; Education; Employment, Labour and Social Affairs; and Environment Directorates.

Finally, the OECD met three times with a Consultative Panel of stakeholders to brief them on the review process, to collect views and data as an input into the report, and to receive comments and fact-checking on select portions of the report.

High Level Steering Group: members

- Dermot McCarthy (Chair), Secretary-General, Department of the Taoiseach
- Ciaran Connolly, Secretary-General (PSMD), Department of Finance
- Sean Aylward, Secretary-General, Department of Justice, Equality and Law Reform
- Professor Tom Collins, Education Department, NUI Maynooth

- Professor Brendan Drumm, Chief Executive Officer, Health Service Executive
- Michael McLoone, Chairman, County and City Managers' Association
- Brigid McManus, Secretary-General, Department of Education and Science
- Fachtna Murphy, Commissioner, An Garda Síochána
- Moling Ryan, Chairman, Association of Chief Executives of State Agencies
- Michael Scanlan, Secretary-General, Department of Health and Children
- Geraldine Tallon, Secretary-General, Department of Environment, Heritage and Local Government
- Philip Kelly, Assistant Secretary-General, Department of the Taoiseach

OECD Liaison Group: members

- Philip Kelly, Assistant Secretary-General, Public Service Modernisation and Social Partnership Division, Department of the Taoiseach (Chair)
- Jim Duffy, Assistant Secretary-General, Centre for Management and Organisation Development, Department of Finance
- Michael Errity, Assistant Secretary-General, Personnel and Remuneration Division, Department of Finance
- Pat Burke, Assistant Secretary-General, Secretariat Division (including Personnel, Communications and Freedom of Information), Department of Education and Science
- Bernard Carey, Assistant Secretary-General, National HR and Workforce Planning Division, Department of Health and Children
- Des Dowling, Assistant Secretary-General, Local Government Division, Department of the Environment, Heritage and Local Government
- Niamh O'Donoghue, Director-General, Department of Social and Family Affairs
- Noel Waters, Assistant Secretary-General, Human Resources Division Department of Justice Equality and Law Reform

Consultative Panel: members

- Dermot McCarthy, Secretary-General, Department of the Taoiseach (Chair)
- Michael Berkery, (Irish Farmers Association)
- Catherine Byrne (formerly with *Irish National Teachers' Organisation*)
- Professor Neil Collins, (Department of Government, University College Cork)
- Ann Fitzgerald, (National Consumer Agency)
- Des Geraghty (Affordable Homes Partnership)
- Alan W. Gray (Indecon)
- Fr. Sean Healy (Conference of Religious of Ireland)
- Philip Kelly, Assistant Secretary-General, Department of the Taoiseach
- Professor Brigid Laffan (University College, Dublin)
- Peter McLoone (Chair of the Irish Congress of Trade Unions Public Service Committee)
- Professor John Murray (Trinity College Dublin)
- Emily O'Reilly (Ombudsman and Information Commissioner)
- Maurice Pratt (CEO, C&C Group plc.)

ANNEX B

Public Consultation Process

As part of the OECD Review of the Irish Public Service a major public consultation process was undertaken to seek the views and comments of the public on all aspects of the Irish Public Service. This involved a media campaign, and an invitation to Social Partners and other interested parties to make submissions.

Submissions could be furnished through a number of channels including through a dedicated on-line facility at *www.bettergov.ie*; the Department of the Taoiseach's website dedicated to public service change and modernisation. To facilitate ease of participation, a questionnaire was developed to assist the public in providing their views; this questionnaire was available in booklet form along with relevant information and contact points.

Advertisement of the consultation process was placed in the main national daily newspapers on 3 separate occasions (5-8 April, 26-29 April, and 5-8 July), and in a number of publications and periodicals. A national radio advertisement was commissioned and aired on national radio stations during July 2007. In addition, weblinks were placed on the websites of all major Government Departments and Offices.

In total, 834 submissions were received from private individuals, and 102 submissions were received from 99 organisations. Receipt of all submissions (except those received anonymously) were acknowledged by the Irish Government. The Institute of Public Administration (IPA) conducted a qualitative analysis of the organisational submissions; they sub-categorised these submissions as follows:

- 52 (51%) from **interest/advocacy groups** with a **national** remit.
- 21 (20%) from **interest/advocacy groups** with a **local or regional** remit.
- 13 (13%) from **state agencies/offices** with a **national** remit.
- 11 (11%) from **state agencies/offices** with a **local or regional** remit.
- 5 (5%) from **private companies/organisations**.

All submissions received by the Irish Government, and the IPA's Analysis Report were forwarded in their entirety to the OECD.

Table B1. **List of organisations that made submissions to the Review**

1.	Association of County and City Councils
2.	Association of Higher Civil and Public Servants*
3.	Births, Deaths and Marriages Limited
4.	Blackwater Parents' Association
5.	Bray Partnership
6.	Cairde
7.	Catholic Primary School Management Association
8.	Chambers Ireland
9.	Chapelizod Residents Association
10.	Chonradh na Gaeilge
11.	Citizens Information Board
12.	Citizens Information Service, Cork
13.	Clare Women's Network
14.	Combat Poverty Agency
15.	Comhar
16.	Comhdháil Náisiúnta na Gaeilge
17.	Construction Industry Federation
18.	COPE Foundation
19.	CORI justice
20.	CorrAcla Teo Community Development Project
21.	Crisis Pregnancy Agency
22.	Dental Health Foundation
23.	Disability Federation of Ireland
24.	Disability Law, Policy and Research Unit (NUI Galway)
25.	Dublin 15 Community Council
26.	Dublin Chamber of Commerce
27.	Dublin CIL (Centre for Independent Living)
28.	Dublin City Business Association
29.	Dublin Fire Brigade SIPTU Convenor Office
30.	EAPN Ireland
31.	Emigrant Advice
32.	EML Architects
33.	Engineers Ireland
34.	Ennis Chamber of Commerce
35.	Ennis Community Development Project
36.	Eurythmy Ireland
37.	Forfás
38.	Galway City Development Forum
39.	GLEN (Gay and Lesbian Equality Network)
40.	Green Star
41.	Health Service National Partnership Forum (HSNPF) and Local Authority National Partnership Advisory Group (LANPAG)
42.	HSE West (Child and Adolescent Mental Health Services)
43.	HSE South*
44.	IBEC (Irish Business and Employers' Confederation)
45.	ICMSA (Irish Creamery and Milk Suppliers Association)
46.	IIUEDU (Irish International University)
47.	IMPERO (Irish Mental Patients' Educational and Representative Organisation)
48.	Integrating Ireland
49.	Irish Association of Young People in Care
50.	Irish Exporters Association
51.	Irish Farmers Journal
52.	Irish Home Builders Association (IHBA)
53.	Irish National Organisation of the Unemployed (INOU)
54.	Irish National Teachers Organisation (INTO)
55.	Irish Rural Link
56.	Irish Senior Citizens Parliament

Table B1. **List of organisations that made submissions to the Review** *(cont.)*

57.	Irish Tourist Industry Confederation
58.	ISME (Irish Small and Medium Enterprise Association)
59.	Irish Traveller Movement
60.	Jesuit Centre for Faith and Justice
61.	Kerry Network of People with Disabilities
62.	Mayor of Tramore
63.	NALA (National Adult Literacy Agency)
64.	National Archives
65.	National Community Development Programme
66.	National Consultative Committee on Racism and Interculturalism (NCCRI)
67.	National Disability Authority
68.	NFPBA (Not For Profit Business Association)
69.	North Cork Enterprise Board
70.	Office for Local Authority Management
71.	Office of the Data Protection Commissioner
72.	One Family (National NGO that works with all members of one-parent families)
73.	Pagan Federation Ireland
74.	Prisoners Aid through Community Effort (PACE)
75.	Radiological Protection Institute
76.	RAPID Programme North Clondalkin
77.	Rehab Group
78.	RLCCC (Residents and Landowners Committee Creevagh Cong)*
79.	Sandyford and Merrion Residents Association
80.	Schizophrenia Ireland
81.	Sesami Project
82.	Simon Communities of Ireland
83.	Small Firms Association
84.	South Dublin Chamber
85.	South Kerry Development Partnership
86.	South-East Regional Authority (SERA)
87.	St Vincent de Paul
88.	St. Senan's Friendly Society
89.	Tallaght Partnership Ltd
90.	The Competition Authority
91.	The Doctors Alliance for Better Public Healthcare
92.	The Galway Advocacy Service
93.	The Irish Planning Institute
94.	The Wheel
95.	The Women's Health Council
96.	Urban Forum
97.	Veterinary Officers' Association
98.	Women of the North West
99.	Women's Aid

* Denotes two submissions made by this organisation.

OECD PUBLICATIONS, 2, rue André-Pascal, 75775 PARIS CEDEX 16
PRINTED IN FRANCE
(42 2008 07 1 P) ISBN 978-92-64-04325-1 – No. 56135 2008

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Ireland's economic success story is one that many OECD countries would like to emulate. Of the many factors linked to this success, understanding the public sector's role is key. What has the Irish Public Service accomplished already? How can it keep renewing itself to meet changing economic, demographic and social challenges? And how can it continue to meet the needs and expectations of government and citizens?

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ISBN 978-92-64-04325-1
42 2008 07 1 P

