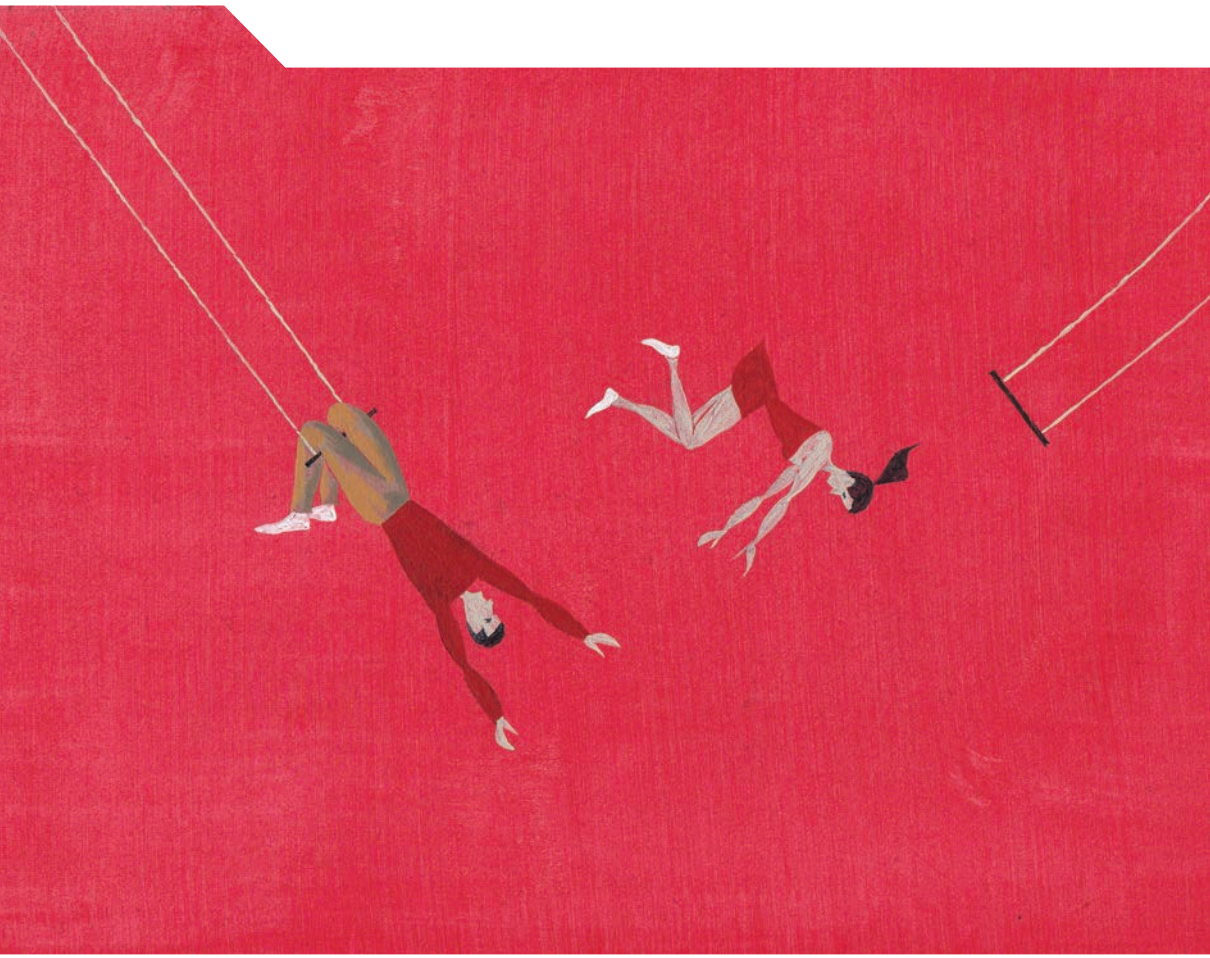
OECD Public Governance Reviews

# Trust and Public Policy

## HOW BETTER GOVERNANCE CAN HELP REBUILD PUBLIC TRUST



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BETTER POLICIES FOR BETTER LIVES

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# *Foreword*

Trust plays a very tangible role in the effectiveness of government. Few perceptions are more palpable than that of trust or its absence. Governments ignore this at their peril.

Trust and how it affects behaviour have been subjects of intense academic study for decades; a significant amount of the research has focused on the influence of trust on public policy. While comparative data at an international scale are limited, the conclusions of the literature are consistent and clear: trust influences the relationship between citizens and government, and in turn has an impact on the outcomes of public policy. Given the weight of evidence that low trust does indeed entail costs for public policy, there is a strong argument in favour of exploring the role of trust, notwithstanding the methodological challenges that this implies.

The erosion of public trust has been a recurring issue for many years, but came firmly to the forefront of public debate in many OECD countries with the onset of the 2008 global financial crisis and ensuing recession. Those events profoundly shook the public's confidence in institutions, and people's trust in public institutions has fared especially poorly. Against a background of perceived inequalities in income and opportunities, high unemployment and job insecurity, resistance to globalisation and concern over global pressures such as migration and climate change, restoring this trust is essential. Governments cannot function effectively without the trust of citizens, nor can they successfully carry out public policies, notably more ambitious reform agendas.

Drawing on case studies from a number of building blocks of good public policy – sound use of public funds, making and enforcing regulations, engaging with citizens and ensuring respect for the rule of law - this report proposes a framework for understanding trust in public institutions that emphasises two key drivers of trust: competence and values. Competent execution of public mandates and a values-driven approach to decision-making are keys to strengthening trust across some of the most hotly

debated areas of public policy today, such as taxation, migration, pensions, infrastructure, energy, financial market regulation and environmental policy.

Public institutions across all areas of public policy have a strong incentive to inspire public trust: high trust is associated with cooperative behaviour, while low trust is associated with resistance, even to things that seem to be in the person's overall best interest. A recurring theme of the report is the close parallel between what public institutions are starting to do today to build trust, and the ways that private companies routinely use trust to attract and retain customers, through deliberate and well-thought out "trust strategies".

Perhaps the most important lesson is that trust is not only an indicator of success; it is, more significantly, one of the ingredients that makes success – for a business or for a government – possible.

The report was prepared as part of the programme of work of the OECD Public Governance Committee and complements the OECD Statistics Committee's work on improving the measurement of trust.

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***Note:*** *This report, adopted by the Member countries, does not constitute a mandate for the OECD Public Governance Committee to pursue the case studies, which, if they were to be developed or extended, would require the agreement of the OECD Public Governance Committee.*

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# Executive summary

International surveys agree that the level of trust in government has declined since the crisis (down to 43% in 2015 according to the Gallup World Poll). Trust in political parties and in parliaments has also fallen to around 50% according to Eurobarometer/European Social Survey. The Edelman Barometer 2016 finds a widening disparity between levels of trust in public institutions according to income, with high-income persons reporting a higher degree of trust in government (on average 10% higher). Trust in financial institutions decreased by an average of 9 percentage points in OECD countries between 2007 and 2015.

Public trust has been eroding just when policy makers need it most. At least three major "pressure points" stand out as policy arenas in which trust is being won or lost:

- Concern about the continuing lack of economic growth and its impact on incomes, jobs and equality.
- Anger over persistent problems of corruption, tax evasion, regulatory capture and other signs of weak respect for rule of law.
- Unease over the ability of governments to manage global pressures and risks such as climate change, geopolitical tensions, terrorism and large-scale migration.

This report examines the influence of trust on policy making, and some of the public policy tools that can strengthen trust. While trust is clearly a multifaceted concept – depending as much on subjective perception as on facts – its influence on the outcomes of public policy is significant and sufficiently tangible to make building trust an objective worth pursuing for public institutions.

In proposing a framework for understanding trust in public institutions, the report places the emphasis on two principal drivers of trust: competence and values. These drivers encompass a range of qualities and attributes that have been shown to inspire trust – in particular reliability, integrity, responsiveness, fairness and openness. The report explores how these

attributes can be better integrated into how governments make and implement public policies.

## Key findings

- Two different but complementary components matter in understanding and analysing trust: i) competence or operational efficiency, capacity and good judgement to actually deliver on a given mandate; and ii) values or the underlying intentions and principles that guide actions and behaviours. Responsiveness and reliability are critical dimensions of competence; with regard to values, citizens expect integrity, openness and fairness.
- With regard to values, four policy levers are particularly powerful in influencing trust: 1) governments defining and adhering to integrity principles; 2) seizing critical opportunities to demonstrate integrity in practice, such as large public infrastructure projects and major events; 3) political leaders leading by example (with regard to asset disclosure, transparency, etc.); and 4) ensuring common standards and behaviours at all levels, since state and local authorities often interact more closely with citizens than do central government civil servants.
- Improving public services, in terms of access, quality and responsiveness, plays an important role in strengthening trust in government: service performance, citizen satisfaction and public trust are closely connected. Better understanding citizens' needs, experiences and preferences can result in better targeted services, including for underserved populations, often at little extra cost.
- Citizens' perception of fairness, in process as much as in outcome, is a critical dimension of trust. People must feel they have a real voice; are treated with respect; and receive necessary explanations. Positive perceptions of fairness lead to greater acceptance of decisions, better compliance with regulations, and more co-operative behaviour in dealing with agents of the government. The reverse also holds: some citizens will even prefer negative consequences for themselves, such as financial penalties over compliance, if they perceive that they have been treated unfairly. In general, low trust generates extra transaction costs for citizens, businesses and government.
- Sound use of public money is another important domain in which trust can be easily lost. Governments need to ensure that the budget

decision-making process itself is open and provides for an inclusive, participative and realistic debate on budgetary choices, and not simply provide access to information once spending decisions have been made. Tools to promote fiscal transparency include the Citizen's Budget, which presents key public finance information for a general audience, and independent bodies responsible for oversight of fiscal policy (independent fiscal institutions or IFIs).

- From law-making to budgeting and service delivery, efforts towards greater openness send a clear signal of a government's commitment to invest in trust while improving the quality of the decisions made. The current move towards concepts of 'open government' and the even more ambitious 'open state' are positive signs that governments are trying to strengthen dialogue with citizens, even if in some cases this openness illuminates facts that generate distrust.

- According to the Edelman Barometer 2016, which looked at customer behaviour, almost 70% of respondents chose to buy a product because they trusted the company. The private sector has shown that, with the right groundwork and preparation, the behaviour of individuals can be strongly influenced by perceived trustworthiness. Companies understand that there are two separate dimensions at play: cognitive (rational or experience-based) trust and affective (emotional) trust. They therefore tend to use an integrated approach in establishing trust with their different stakeholders. While the emotional dimension can be linked to, for example, brand loyalty, the rational will value such attributes as reliability and quality. For a public institution, developing a reputation for reliability and quality will bring tangible benefits, such as easier acceptance of new services, procedures or regulations.

- Justice is perhaps the public service that most directly depends on a strong trust relationship between public institutions and citizens. There are various empirical, conceptual and institutional challenges in understanding the links between trust and justice; large gaps remain in the literature and in empirical research on trust in civil (as opposed to criminal) justice. Clearly however, the tools that matter most with regard to legal and justice services are similar to those discussed above with respect to other public services, such as reliability, responsiveness and fairness. Trustworthiness derives from understanding users' needs and the pathways people in different situations use to access services, as well as integrating these services with other social services (e.g. health, employment).

# *Chapter 1*
# What drives public trust? Identifying the policy levers

*This chapter presents a framework for understanding trust built around two fundamental building blocks: competency and values. A competent government provides accessible, efficient and citizen-oriented public services that effectively address the needs and expectations of people and evolve as those needs and expectations change. A competent government will also ensure a high degree of reliability and predictability, minimizing uncertainty in the economic, social and political environment of its citizens. A government is values-based when it promotes integrity through the alignment of public institutions with broader standards of conduct and undertakes to safeguard the public interest, mitigate corruption and strive to ensure fairness in both the processes and outcomes of public policy. A values-based government will also demonstrate a high degree of transparency and inclusiveness.*

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

## Trust in what, from whom?

Trust is usually understood as "holding a positive perception about the actions of an individual or an organisation". Trust gives us confidence that others will act as we might expect, either in a particular action or in a set of actions. While trust may be based on actual experience, it is often a subjective phenomenon, based as much on interpretation or perception as on facts.

As social beings, we depend on agents beyond ourselves for many things in life, from nice-to-have items that give us pleasure to essential material needs. Procuring these things requires that we enter into some sort of tacit or explicit agreement with agents (people, groups, organisations, systems), and there is always some risk that the chosen agent will not have the required good will, benevolence, motivation, availability, competency or capacity to perform to our satisfaction. Four factors inform the emotional dimension of the relationship: access to other suitable agents; the degree to which the object procured via the agent is essential to us; the faith we have in the agent's commitment and benevolence in providing it; and our experience with the agent.

While there are potentially many agents *able* to meet a person's needs, they may prefer some to others, usually on the basis of experience. Experience with any given agent limits a citizen's perceived vulnerability. An agent proving reasonably reliable over time will usually be chosen over other agents, potentially just as capable or more so. For private companies, the trust-based choice made by customers is often the basis of their competitive advantage, as tangible and valuable as any technological or cost advantage that they hold over their competitors.

Interpersonal and organisational relationships can develop into what some researchers call *psychological contracts*. This is defined as an individual's beliefs about the terms and conditions of a reciprocal exchange agreement between that person and another party (Rousseau, 1989). These contracts differ from formal and implied contracts because of their subjective nature – one party's understanding of the contract may not be shared by the other (Robinson, 1996). For example, from government we might expect essential local services, security, justice, basic fairness, safe products, a representative voice in government, etc. in exchange for voting, obeying rules and paying our taxes. Non-respect on the part of the agent constitutes a deep-seated breach of obligations – a perception of betrayal.

Complicating discussions of trust are the different types of trust. Generalized trust has been defined as the default expectation of other

people's trustworthiness (Rotter, 1980; Oskarsson et al., 2012). We may trust other people (interpersonal trust), organisations and institutions (institutional trust), or even intangibles such as brands (brand trust). Trust also extends to systems, objects and technologies (technological trust).

Table 1.1. **Some definitions of trust**

| Definition | Author |
|---|---|
| "Confidence that one will find what is desired from another, rather than what is feared" | Deutsch, (1973) |
| "A psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another" | Rousseau et al. (1998) |
| "A generalised expectancy held by an individual that the word, promise, or statement of another individual can be relied on" | Rotter, (1980) |
| "The willingness to be vulnerable to another" | Meyer et al. (1995) |

Despite these rather unscientific definitions, trust is clearly an important concept. It supports most if not all collective and individual human interactions, from trade and commerce to welfare systems and education. In all cases, trust allows people, businesses and organisations to make decisions without having to renegotiate with and/or reassure their counterparts at each interaction. This eliminates or reduces costs and increases the speed of social interactions.

By allowing one actor to give the benefit of the doubt to another, trust generates tangible benefits for each – a "trust dividend" (Table 1.2).

Table 1.2. **Trust relationships in society**

| Type of trust | Trust dividend |
|---|---|
| Citizens towards other citizens | Social capital gains; more cohesive communities. |
| Citizens toward government | Greater compliance with and support of government programmes and policies. Lower enforcement costs. |
| Business toward government | Greater propensity to invest. Easier compliance with regulations. |
| Government toward citizens | More streamlined public services optimised for efficiency and effectiveness. |
| Within government | Promotes effectiveness as government institutions increase the level of collaboration among government services and with outside providers. |
| Citizens toward political leaders | Greater public confidence can allow government leaders the support to see through implementation of their policies. Less deadlock. |
| Among government leaders | Enhanced effectiveness in approaching shared, complex challenges (i.e. climate change, security, etc.). |

Because of its crucial importance for so many socio-economic interactions, the notion of trust has generated much examination in academic literature. Above all, and despite different areas of focus, researchers agree on some defining elements of trust, such as positive expectations toward the future and a willingness to be vulnerable to risk or uncertainty (Rousseau et al., 1998). Likewise, a number of trust relationships are consistently identified (from citizens' trust in their fellow citizens to political elites' trust in other elites or in citizens) (Offe, 1999). These are frequently clustered into two broader categories: i) interpersonal trust, in the realm of human and social interactions, and ii) systemic or institutional trust, in the realm of public and political institutions.

- *Interpersonal trust* relates to the results expected of the interaction between individuals, other than friends and relatives, within a given community at a specific moment of time. Often it has been considered a proxy for social capital (Halpern, 1999). Interpersonal trust is highly influenced by the set of common values shared by a given society; for example, groups of countries with mutual cultural and religious backgrounds tend to have similar levels of interpersonal trust (OECD, 2009).

- *Systemic or institutional trust* focuses on the interaction between government and citizens and within government. Institutional trust is generated when citizens appraise public institutions and/or the government and individual political leaders as promise-keeping, efficient, fair and honest (Blind, 2006).

OECD work on trust focuses largely on the latter -- better understanding how trust influences the outcomes of public policies, and how governance changes may strengthen or weaken trust. This scope reflects the concerns of leaders and policy makers about the deterioration of institutional trust in the past few years and their interest in "actionable" policy insights to help them reverse this trend.

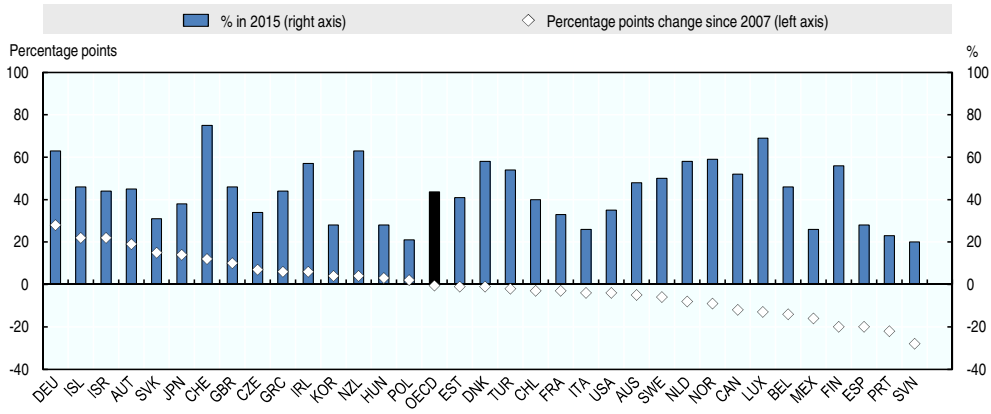
## The current state of trust in public institutions

Levels of trust in institutions vary, but trust in most public bodies has declined since 2007. Trust in government and political institutions has been hardest hit.

- According to the Gallup World Poll, between 2007 and 2015, trust in government decreased by an average of 2 percentage points in OECD member countries (from 45% to 43%). In certain countries (such as Slovenia, Portugal, Spain, Finland and Mexico) the decrease has been sharper (see Figure 1.1).
- According to the Gallup World Poll, between 2007 and 2015, satisfaction with the education system increased by 6 percentage points in OECD member countries (from 62% to 68%).
- According to the Gallup World Poll, between 2007 and 2015, trust in the judicial system increased by 4 percentage points in OECD member countries (53% in 2015 compared to 49% in 2007).
- According to Eurobarometer, between 2007 and 2015, trust in political parties decreased by an average of 2 percentage points in OECD/EU member countries (from 21% to 19%).
- According to the European Social Survey, between 2008 and 2014, trust in parliaments decreased by 5 percentage points (from 58% to 53%) in OECD/EU countries.
- According to the Gallup World Poll, between 2007 and 2015, trust in financial institutions decreased by an average of 9 percentage points in OECD member countries (down to 46% in 2015

- According to Eurobarometer, between 2007 and 2014 trust in the press decreased by an average of 1 percentage point in OECD/EU countries (from 47% to 46%).
- According to Eurobarometer, between 2007 and 2014 trust in television decreased by an average of 4 percentage points in OECD/EU countries (from 60% to 56%).
- The Edelman Barometer 2016 finds a widening disparity between levels of trust in public institutions according to income, with high-income persons reporting a higher degree of trust in government (on average 10% higher).
- According to the Edelman Barometer 2016, which looked at customer behaviour, almost 70% of respondents chose to buy a product because they trusted the company.

Figure 1.1. **Confidence in national government in 2015 and its change since 2007**




*Source*: Gallup World Poll (database).

## Focusing on the drivers of trust

Institutional economics has shown the important influence of high quality public institutions in achieving economic growth and managing inequality (Rodrik, 2002, 2003). Other studies largely confirm that state capacity and quality of government have strong, positive effects on almost all standard measures of human well-being, as well as measures of social

trust and political legitimacy (Rothstein, 2012). In this regard, it could be argued that *how power is exercised* (what takes place at the output side of the political system) is equally if not more important than *how access to power is organised* (Rothstein, 2013). The idea that good governance generates trust by promoting fair processes and fair outcomes is an important concept in recent research.

Attempts to identify the core drivers of trust (how to gain trust or retain it) have featured trust as contingent on the congruence between citizens' (and businesses') expectations (their interpretation of what is right and fair and what is unfair) and the perceived and/or actual functioning of public institutions (Bouckaert and van de Walle, 2003). Numerous authors draw a broad distinction between "trust in competence" – the ability of institutions to do their job – and "trust in intentions" – the propensity of institutions to do what is right (for example Choi and Kim, 2012). Despite the complexity of the subject and variety of approaches, we can find consistency across the literature on trust in at least two key respects. First, the literature highlights two different but complementary components that matter in understanding and analysing trust: i) *competence* or operational efficiency, capacity and good judgement to actually deliver on a given mandate; and ii) *values,* or the underlying intentions and principles that guide actions and behaviours. Digging deeper, there is also consistency in the literature regarding specific attributes that matter for trust, in relation to both the competence and values components.

Building on the above, this report proposes an analytical approach to citizen's trust in public institutions, facilitating measurement efforts (based on both experience and expectations) and policy attempts to influence trust. The first step is to deconstruct trust into two key components, *competence* and *values*, closely following the broad distinction reflected in the literature between the actual outcome of an action and the intention that guided it. The second step is to identify for each component relevant dimensions that could make it amenable to policy change: *responsiveness, reliability, integrity, openness* and *fairness*.

## Trust as competence

Competence is a necessary condition for trust – an actor, whether a business or a government agency, with good intentions but without the ability to deliver on expectations cannot be trusted (Forsyth, Adams and Hoy, 2011). The provision of public goods and services (from security and crisis management to public health and education) is one of the principal activities exercised by government. In many countries, these services are

provided on a massive scale and offered to citizens as a right, in return for their tax payments. Despite being entitled, citizens depend on the ability of governments to actually deliver the services they need, at the quality level they expect. These expectations entail two critical dimensions of trustworthiness:

- *Responsiveness* – Recognising responsiveness as an explicit dimension of trust reflects the core objective of public administration: to serve citizens. Increasingly, responsiveness refers not only to how citizens receive public services but also to how government listens to citizens and responds to their feedback. Responsiveness, then, is about availability, access, timeliness and quality, but also about respect, engagement and response.
- *Reliability* – As a prerequisite to responsive service delivery, governments must assess the economic, social and political environment facing their citizens, and act in consequence. This may mean adapting certain services or creating new ones (e.g. addressing climate change, energy, housing, etc.), but it also means being able to deal with uncertainty in a consistent and predictable manner. In the face of multiple natural and man-made threats over the past decade, long-term planning and risk management have proved to be essential albeit not universally institutionalised functions of government. Reliability is the capacity of government institutions to respond effectively to a delegated responsibility to anticipate needs, and thereby minimise uncertainty in the economic, social and political environment facing people.

## Trust as values

When it comes to influencing trust, the process of policy making and its guiding motivations are just as important as actual results.[1] In a context of persistently high unemployment and growing inequality, citizens expect not only effective policies to improve socio-economic conditions[2] but also irreproachable behaviour. These expectations entail three critical dimensions of trustworthiness: i) integrity, ii) openness and iii) fairness.

- *Integrity* – Available data suggest that the way in which public administrations conduct themselves and the degree to which they can be trusted to safeguard the public interest without the need for scrutiny have the most direct influence on levels of trust in public institutions. High standards of behaviour reinforce the credibility

and legitimacy of government and facilitate policy action by government.

- *Openness* – Openness and stakeholder engagement in the design and delivery of public policy and services can help governments better understand people's needs, leverage a wider pool of information, achieve higher levels of compliance, and increase trust (OECD, 2013). Openness, as a dimension of trust, reflects a renewed social contract between citizens and state, where the former contribute not only by paying taxes and obeying the law, but also by being receptive to public policies and co-operating in their design and implementation.
- *Fairness* – Citizens share a growing concern in the wake of the financial crisis that the distribution of burdens and rewards among members of society is skewed. Higher levels of wealth accumulation among the top percentiles help fuel mistrust in government and its institutions. Fairness, as a dimension of trust, addresses this concern by focusing on the consistent treatment of citizens and business by government, and protection of the pursuit of the benefit of society at large.

The competence-values framework provides a theoretical way to better link the policy discussion on trust to an actionable reform agenda.[3] Building on it, a guiding "public governance" definition for institutional trust can be proposed: *A citizen's belief that [the institutions of government] fulfil their mandates with competence and integrity, acting in pursuit of the broader benefit of society.* According to this approach, citizens assess government from the perspective of their experience of service delivery, but also with respect to the efficacy and fairness of the policy-making process and its outcomes. Furthermore, the approach can provide guidance on measuring trust, on its monitoring over time, and on analysing the factors that may drive it in the future – in effect opening the door to an alternative set of data to that currently available.

Table 1.3. **Summary: The competence-values framework for citizens' trust in public institutions**

| **Competence**<br>Ability of governments to deliver to citizens the services they need, at the quality level they expect | | | |
|---|---|---|---|
| | *Government mandate involved* | *Key elements* | *Overall public policy objective* |
| | Provide public services | Access to public services regardless of income, place of residence.<br>Quality and timeliness of public services.<br>Respect in public service provision, including response to citizen feedback. | Responsiveness |
| | Anticipate change, protect citizens | Anticipation and adequate assessment of citizens' evolving needs and challenges<br>Consistent and predicable behaviour<br>Effective management of social, economic and political uncertainty | Reliability |
| **Values**<br>The principles that inform and guide government action | | | |
| | *Government mandate involved* | *Key elements* | *Overall public policy objective* |
| | Use power and public resources ethically | High standards of behaviour<br>Commitment to fight corruption<br>Accountability | Integrity |
| | Inform, consult and listen to citizens | Letting citizens know and understand what government is doing<br>Engagement opportunities that lead to tangible results | Openness |
| | Improve socio-economic conditions for all | Pursuit of socio-economic progress for society as a whole<br>Consistent treatment of citizens and businesses (vs. fear of capture) | Fairness |

*Source*: Adapted from review of the literature.

# Notes

1 Competence in the light of wrong guiding principles or corrupted mechanisms does not lead to trust. As argued by Hibbing and Theiss-Morse (1995), people tend to focus on outputs because citizens contact output institutions more frequently; dissatisfaction with government, however, has more to do with unfair policy and political process.

2 The ongoing discussion around public value points in this direction, not only as an evolution in public management science, but also as a direct consequence of increasing levels of inequality. Public value is achieved when governments produce what is either valued by the public, good for the public or both, leading to just and fair conditions in the society at large (Bryson, Crosby and Bloomberg, 2014).

3 This scope is consistent with the definition of trust in government as confidence of citizens in the "government to do what is right and perceived as fair" (Easton, 1965).

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# *Chapter 2*

# The influence of integrity on public trust

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*Corruption and mismanagement in the public sector are usually cited as among the most important sources of mistrust; as such, policy action to strengthen integrity will have an important influence on trust. This chapter identifies four key policy levers to fight corruption and reuild trust: aligning integrity values closely with evolving concepts of acting in the public interest (i.e. transparency, inclusion, courtesy, quality services, etc.); making the most of mega events and large investments to both strengthen and affirm the governments' commitment to acting with integrity; ensuring that political and senior leaders lead by example; and strengthening local integrity systems where citizens' levels of trust are often forged through public services and more frequent and direct interactions.*

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

## Introduction

Perceptions of public sector integrity have proved to influence levels of trust in government. Indeed, evidence shows that integrity values can be precursors to building trust, since they advocate for the ethical use of power and public resources; for more open dialogue between government and stakeholders; and for reliability and consistency (i.e. fairness) in actions. A policy-making process conducive to cultivating trust therefore builds on the presumption that stakeholders act with integrity, and incorporate measures to protect and strengthen integrity into every aspect of the process.

This chapter harnesses lessons learned from OECD member and partner countries. Four policy levers are identified as being particularly powerful in influencing trust and confidence (see Figure 2.1 below). The chapter begins with a discussion of how governments' definition of integrity values can cultivate trust, and how these values, when defined more broadly to encompass principles such as inclusion and transparency, can improve trust in public policies. It goes on to discuss the importance of capitalising on opportunities for demonstrating integrity to citizens, such as large public infrastructure projects and major events. Then, drawing from evidence on the role that political leaders play in fostering trust, the chapter discusses specific integrity policies targeting these types of officials (e.g. asset disclosure and transparency). Lastly, it examines how public institutions that "think and act locally" are also more likely to solidify citizens' trust in institutions, since state and local authorities are largely responsible for the organising or functioning of public services and interact more closely with citizens.

Figure 2.1. **Leveraging integrity for trust: key policy lessons**

## Aligning integrity values with the public interest

Integrity is often mistakenly understood narrowly as the absence of corruption. However, the concept of public sector integrity is not simply about the use or abuse of power but rather about "the consistent alignment of, and adherence to, shared ethical values, principles and norms for upholding and prioritising the public interest over private interests in the public sector" (OECD Draft Recommendation of the Council on Public Integrity, forthcoming). This broader definition implies adopting values and behaviours more aligned with modern notions of what "upholding the public interest" means, such as fairness and equality, quality service delivery and courtesy, transparency, etc. Therefore, in assessing the relationship between integrity and trust, and using the former to support the latter, it is necessary

that governments look beyond corruption and consider the application of additional integrity values. Inclusiveness and transparency are two integrity values in particular that have been shown to raise levels of trust in government.

### *Inclusive policy making*

Inclusive policy making can be considered an integrity value, as it supports the public best interests. Indeed, evidence suggests that government efforts to provide more opportunities for citizen participation and input into policy making represent an important strategy for improving trust in public institutions and policies. For example, Traber (2013) found that "public interest groups report higher satisfaction with the policy outcome the more they participate". To the same extent, Esaiasson, Gilljam and Persson (2012) used a randomised field experiment to reproduce the decision-making process in large-scale democracies. Empirical support for ideas about legitimacy enhancing decision-making arrangements were tested, including participatory constitution drafting, personal involvement in the decision-making process, and fairness in the implementation of arrangements. The authors found that "personal involvement is the main factor generating legitimacy beliefs." Hibbing and Theiss-Morse (2001) also emphasised the importance of governmental procedure for citizens, noting that the process through which governments create policies is just as important for citizens as the policy itself. Taken together, these findings suggest that citizen and stakeholder inclusion in policy decisions can help legitimise resulting policies, in turn increasing citizen buy-in and trust in public institutions. The case of the Netherlands in encouraging citizen engagement, as explained in Box 2.1, demonstrates how integrity values were communicated to include inclusiveness through a Code of Conduct.

Box 2.1. **Developing professional standards for citizen engagement: The case of the Netherlands**

With a key aim towards improving trust in policy making, the government of the Netherlands began a move to reorganise, professionalise and measure citizen engagement in 2006. Along with improving trust in the process, the government's intention was to make engagement more effective and to support good decision making. The professionalisation consists of a Code of Conduct with "**principles** of good consultation" and an interdepartmental organisation (*Inspraakpunt*) that can assist public officials through a platform for knowledge exchange and a regular benchmark for the quality and effectiveness of citizen engagement.

Box 2.1. **Developing professional standards for citizen engagement: The case of the Netherlands** *(continued)*

In 2008, the government of the Netherlands conducted an empirical evaluation of the impact of professionalism on citizen engagement. It drew upon 36 examples of citizen engagement, and the results demonstrated that the more the standards for professionalism are met, the higher the scores of subjective and objective effects. This is particularly true where preconditions are favourable. If policy options are limited, or commitment from the political level is low, the effect of professionalism is considerably lower. Good communication leads to greater impact. Participants are more satisfied with the process and the results if there is clear communication about the influence of participants and if the results are clearly demonstrated. Support from the community for decision finally taken will, in general, be greater.

If project leaders ensure that the process is made-to-measure for the problem at hand, all those involved are more satisfied with the results. Support from society for solutions will be greater, in accordance with the extent to which the process is made-to-measure.

Of all preconditions, political commitment in particular stands out. Impact is generally greater in processes where responsible politicians are supportive of citizen engagement. This is equally true if they are visible to participants during the process and perceived by the outside world as an operating unit.

*Source*: van der Wal, Propper and de Jong, 2009.

## *Transparent policy making*

Transparency is another integrity value that can influence trust levels. Embedding the policy-making process within transparency mechanisms allows for greater accountability and oversight, and helps restore a sense of legitimacy. For instance, ensuring transparency in campaign financing and lobbying demonstrates governments' commitment to defending public interests by preventing undue capture of public policies by elite private interests. Disclosure of the sources and amounts of private funding requires special attention to ensure a level playing field for all democratic actors, including loans, membership fees and third-party funding that can be used to circumvent regulations such as spending limits. Many countries for example struggle to define and regulate third-party campaigning in particular, to prevent the rechannelling of election spending through supposedly independent committees and interest groups. Unfortunately, while limits and bans on foreign and corporate funding exist in many countries, disclosure of

donor identity remains the exception rather than the rule. Private asset disclosures by legislators are necessary to track potential illicit enrichment, and lobbyists should likewise self-regulate and register in a public manner.

## Capitalising on major events and investments to strengthen and affirm integrity

Governments should welcome scrutiny over highly visible initiatives. These can include for example major sporting or cultural events, such as the Olympics or World Expositions, or large infrastructure or procurement projects. Indeed, such initiatives garner significant media and public attention. That attention should be grasped as an opportunity to both strengthen integrity measures and showcase and demonstrate integrity to the public.

However, corruption allegations concerning government-financed infrastructure projects are, unfortunately, common. According to the OECD's recent work on infrastructure, the initial stage of infrastructure projects is particularly prone to capture and high-level corruption. Indeed, the extent of public officials' discretion over the investment decision, the large sums of money involved, and the multiple stages and stakeholders implicated contribute to making officials more vulnerable to undue influence. The costs of corruption in major events and investments are not only monetary but also institutional and political, with serious implications for the legitimacy of the state apparatus and citizens' trust that government serves their interests.

Therefore, governments should ensure that such initiatives are designed and implemented with the application of sound policy tools that seek to avoid corruption, capture, and mismanagement at all stages of the public infrastructure investment policy cycle (OECD, 2016a). Such integrity tools and mechanisms for oversight and enforcement may include conflict of interest policies for public officials that govern post-employment activities and disclosure of assets; codes of conduct that establish control mechanisms for firms wishing to contract with public bodies; and mechanisms that encourage the reporting of wrongdoing related to infrastructure projects. Boxes 2.2 and 2.3 are examples of two recent high-level events – EXPO Milano 2015 and the London Summer Olympics 2012 – where the respective governments capitalised on the opportunity to implement integrity tools, thereby demonstrating their commitment to upholding the public good and showcasing integrity values.

### Box 2.2. **EXPO Milano 2015: Leveraging integrity to restore public trust**

One year before the opening, with the construction works barely started, the judiciary and police forces shed light on corrupt acts that had tarnished the procurement procedures of the EXPO Milano 2015. Not only did these wrongdoings undermine public confidence in the event, but they also threatened to jeopardise the whole project's ability to meet the deadlines. It took an unprecedented effort by all interested parties to eventually open the Universal Exposition on 1 May 2015. These efforts, largely driven by oversight measures taken by the Italian Government and the company Expo 2015 S.p.A., were paramount in demonstrating that the Italian government was committed to implementing integrity to ensure that public interest was at the forefront of the contracting processes for the project.

In May 2014, six individuals were arrested for suspected fraud in connection with the assignment of building contracts for EXPO 2015 in Milan. Unsurprisingly, these arrests undermined public confidence in the event and threatened the project's completion, including the possibility that Italy would have to cease organising the EXPO. In response, the Italian Government implemented Law no. 114 on 11 August 2014, which gave the President of ANAC (Autoritá Nationale Anticorruzione – the National Anticorruption Authority of Italy) functions to supervise and guarantee the fairness and transparency of the procurement procedures related to implementation of the EXPO 2015. To enable performance of these duties, article 18(7) gave the President of ANAC the power to make proposals to the Italian Government's Single Commissioner for Expo Milano 2015 and to the company Expo 2015 S.p.A. In addition, as part of this assignment, ANAC established a special operational unit (UOS) to monitor the projects of the EXPO 2015 in July 2014.

In October 2014, the ANAC and the OECD Secretariat signed a Memorandum of Understanding referring in particular to the supervision and monitoring of EXPO Milano 2015 tender procedures. The joint initiative aimed at improving the transparency, propriety, effectiveness and efficiency of the procurement procedures related to staging the EXPO.

Among the measures pursued by EXPO was the inclusion of transparency measures, such as including a transparency section on the event's website. This section contained several sub-sections, including financial overview, contracts awarded, legal notes and governance. In addition to transparency on the website, the EXPO advertised ongoing procurement procedures and invited potential suppliers to present bids in a separate section immediately available from the home page.

### Box 2.2. **EXPO Milano 2015: Leveraging integrity to restore public trust** *(continued)*

The strong commitment by the Italian Government, the new smart regulation in the sector, the checks carried out by ANAC and the other institutions involved, and the methodological supervision by the OECD marked a turning point. These efforts made it possible not only to respect the deadline of 1 May 2015, but also to focus on preventing the occurrence of illegality and corruption. The measures enabled intervention in cases of suspected procurement irregularities, as well as the guarantee that the works would be completed on schedule with respect for integrity and transparency. The transparency of these activities carried out by the organisers of EXPO 2015 was fundamental in building public trust.

*Source*: OECD, 2016a.

### Box 2.3. **The 2012 Olympic and Paralympic Games, London, United Kingdom**

The Olympic Games are another high-level event **that can be** vulnerable to policy capture, corruption and mismanagement. In keeping with their commitment to integrity in public projects, the United Kingdom Olympic Delivery Authority (ODA) was formed to take on the job of building the venues and infrastructure and procuring the services required for the 2012 Olympic and Paralympic Games. As a non-departmental public body within the United Kingdom Government's Department of Culture, Media and Sport, the ODA was required to comply with the country's public sector procurement regulations and the principles of fairness, transparency and non-discrimination. At the outset of the procurement activity, the ODA engaged in a process of developing its own procurement policy after extensive consultation, and having it endorsed at the highest level. The establishment of policy objectives in advance of the procurement process made it possible to assess bid compliance against these objectives. Key elements of the policy were then combined with procurement guidance to create a standard procurement code providing detailed guidance to the procurement team. The United Kingdom Olympic Delivery Authority ensured that it met its obligations under the law – particularly around risk, brand protection and stakeholders' rights – by ensuring that its suite of contracts also included collateral warranties for key interested parties, restrictions of ownership of tier-one contractors, enhanced conflict of interest provisions, fraud prevention and whistle-blowing requirements, and enhanced intellectual property rights.

*Source*: OECD, 2015a.

## The importance of political leaders and senior officials leading by example

When government leaders adhere to the broadly defined values of integrity, they demonstrate to citizens that they, and therefore government institutions, can be trusted. Certainly public opinion polls are subject to sampling methods, timing (i.e. if surveys are taken immediately following a scandal), and other exogenous factors (i.e. economic conditions, levels of unemployment, etc.). Generally speaking however, a lack of integrity in leadership demonstrated by misuse of public resources or inadequate behaviour by government representatives can shape public opinion on the overall trustworthiness of the government. Political leaders can therefore leverage integrity to increase trust in government by taking the lead, through measures such as asset disclosure, conflict of interest management, and transparency in lobbying and political financing.

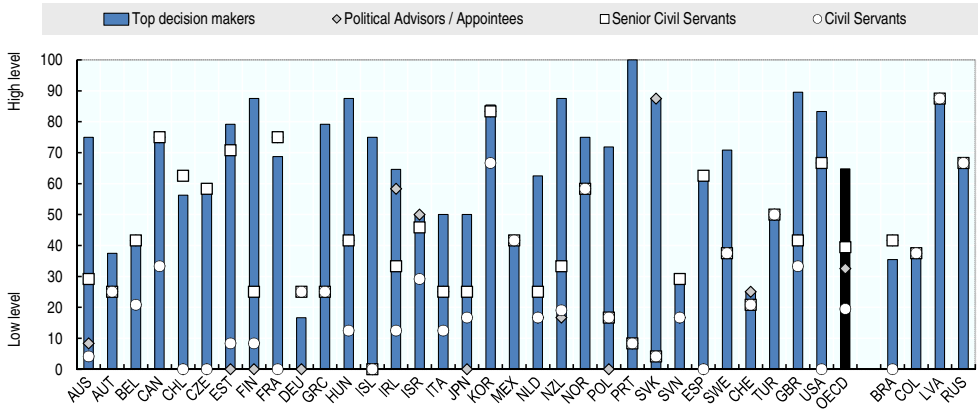
### *Asset disclosure and conflict of interest*

Public disclosure of private interests by political leaders and high-level public officials contributes to fostering openness and maintaining public trust. Political leaders and high-level public officials are responsible for maintaining a high standard of propriety in the course of their official duties. As such, they need to lead by example in the management of their private interests; in preventing, reporting and resolving any conflict of interest situations; and in demonstrating to the public that they are impartial stewards of the public interest. Similarly, political leaders and high-level public officials are role models for other public officials in that they demonstrate what the expected standard of integrity should be in their daily professional conduct.

As Figure 2.2 shows, levels of asset disclosure at the highest echelons of government vary greatly. On average in the OECD area, however, the higher-level officials are already leading the way through asset disclosures, setting the standard for integrity for other public officials. While these are positive trends, more can be done by top officials. Comprehensive disclosure of income sources of political parties and candidates can contribute to greater transparency, serving as a deterrent measure to limit undue influence. Box 2.4 provides a case study of the work done by the United States to enhance transparency in the political financing process. Likewise, comprehensive lobbying standards that promote openness with regard to access to influence reduce the risk of policy capture, and lead to more inclusive policy making. Both political leaders and high-level public

officials can take the lead in these matters, as demonstrated in the case study on the United Kingdom in Box 2.5.

Figure 2.2. **Level of disclosure and public availability of private interests by the level of public officials in the executive branch, 2014**




*Note*: Data unavailable for Denmark, Iceland and Luxembourg. See Annex D for more detailed information.

*Source*: OECD (2015b), DOI: http://dx.doi.org/10.1787/gov_glance-2015-graph73-en

### Box 2.4. **Transparency and accessible information: The case of the United States**

In the United States, political leaders are capitalising on the opportunity to build trust through integrity measures such as disclosure of political campaign donations by adhering to the Federal Election Campaign Act of 1971 (FECA). The FECA requires that the accounts of political committees contain the name and address of any person making a contribution in excess of USD 50 along with the date and the amount of the contribution. This implies that anonymous donations to political committees are not allowed in excess of that amount. Moreover, in respect of contributions exceeding USD 200 per year, the required details are even stricter in that the contributor's identity (i.e. name, address, occupation and employer) is to be noted in the accounts. The FECA also prescribes that any disbursement over USD 50 is to be accounted for, together with the name and address of the receiver. The accounts are to be held by the committee for at least three years.

The FECA obliges political committees to submit financial reports to the Federal Election Commission, which in turn makes them publicly available at the FEC in Washington, DC or on line. The FEC has developed detailed standard forms to be used, requiring among other things precise information concerning contributions, donors, disbursements and receivers. All contributions to federal candidates are aggregated on the basis of an election cycle, which begins on the first day following the date of the previous general election and ends on the date of the election; contributions to political party and other political committees are based on a calendar year.

The intensity of the reporting may differ. For example, a national party committee is obliged to file monthly reports in both election and non-election years; a principal campaign committee of a congressional candidate must file a financial report 12 days before and another report 30 days after the election, in addition to quarterly reports every year. The FECA prescribes that the financial reports are to be made public within 48 hours; however, in most cases the FEC manages to make reports available on line within 24 hours.

*Source:* GRECO, n.d.

### Box 2.5. **Greater transparency in lobbying in the United Kingdom**

In 2013, the UK Government strengthened lobbying transparency in a bid to increase integrity and public trust in the policy-making process. These efforts were aimed at enhancing the transparency of those who lobby government ministers and permanent secretaries on behalf of third parties. The move was prompted by concerns that a lack of transparency in the lobbying of government was enabling some from the corporate world to "wield privileged access and disproportionate Influence"; in response, the Public Administration Select Committee conducted an inquiry in 2009. The Committee concluded that the existing self-regulatory regime governing the lobbying industry was inadequate and suggested that unless the industry could swiftly and credibly reform that system, the government should introduce a statutory register of lobbyists. The Committee further recommended that the government publish details of all ministerial and high-level official meetings with outside interest groups.

To that end, the government introduced legislation to Parliament on 17 July 2013, and on 30 January 2014, the Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act received Royal Assent. This legislation serves to enhance transparency in lobbying by requiring consultant lobbyists to register with the Office of the Registrar prior to undertaking consultant lobbying. The main characteristics of consultant lobbyists are:

- Communicating with ministers or permanent secretaries about government policy, legislation, or the awarding of contracts and grants, etc.
- On behalf of another person.
- In return for payment (of any kind, be it direct or indirect).
- In the course of a business.

The register is administered and enforced by the independent Registrar, an independent statutory office-holder. Consultant lobbyists are required to provide information regarding their organisation, their clients, and whether or not they subscribe to a publicly available relevant code of conduct, and update their entry on a quarterly basis. The register is funded by the lobbying industry via a subscription charge, and is made publicly available. The statutory register of consultant lobbyists complements the steps that have been taken to enhance the transparency and accountability of decision makers, by ensuring that the interests represented by those who seek to influence them are equally transparent.

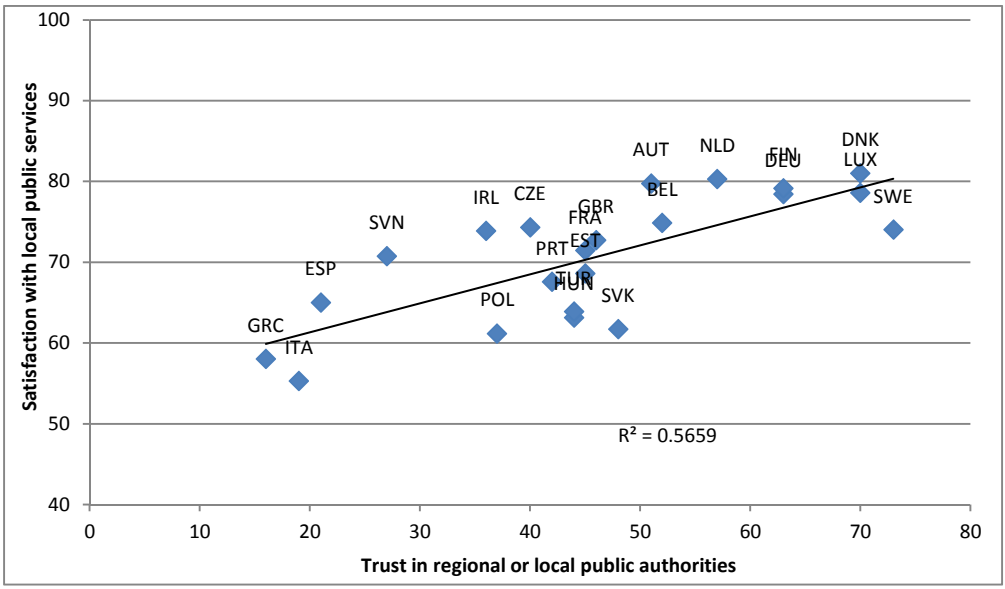
Additionally, it has served to complement the existing self-regulatory regime by enhancing the transparency and scrutiny of the ethical principles to which lobbyists subscribe. The provisions reflect the distinctive context of UK open government, and constitute a pragmatic, proportionate solution to enhancing transparency in lobbying.

*Sources*: Budge and Kaur-Channing, 2014; Office of the Registrar of Consultant Lobbyists, 2016.

## Strengthening local integrity systems, where trust is forged

Local public authorities have higher levels of direct contact with citizens, thereby providing strong opportunities for increasing (or decreasing) trust. Indeed, sub-national governments are responsible for providing a wide range of public services that should meet the expectations of their citizens in terms of accessibility, timeliness, and reliability. As shown in Figure 2.3, when the services provided do not respond to citizens' needs and are of poor quality, citizens will naturally tend to report lower satisfaction with these services and with the public institutions concerned. Strengthening local integrity systems can have positive outcomes for all levels of government, since citizens are often unaware of the distribution of competencies for service delivery.

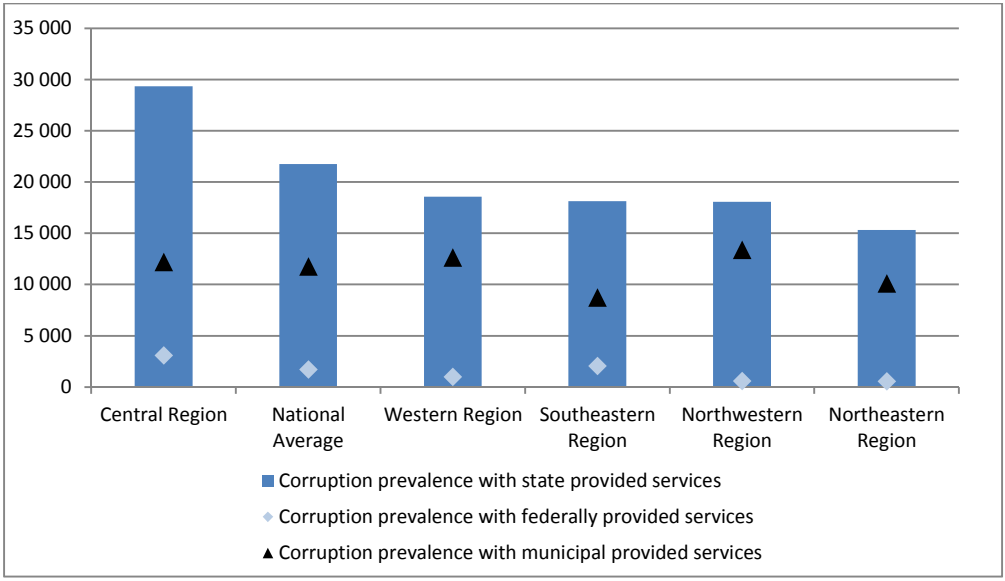
Figure 2.3. **Trust in regional or local public authorities (11/2015)**




*Source:* Eurobarometer and Gallup World Poll, 2015. Public services includes average of citizens satisfied with public transport, health, education, housing, air and water quality and local police.

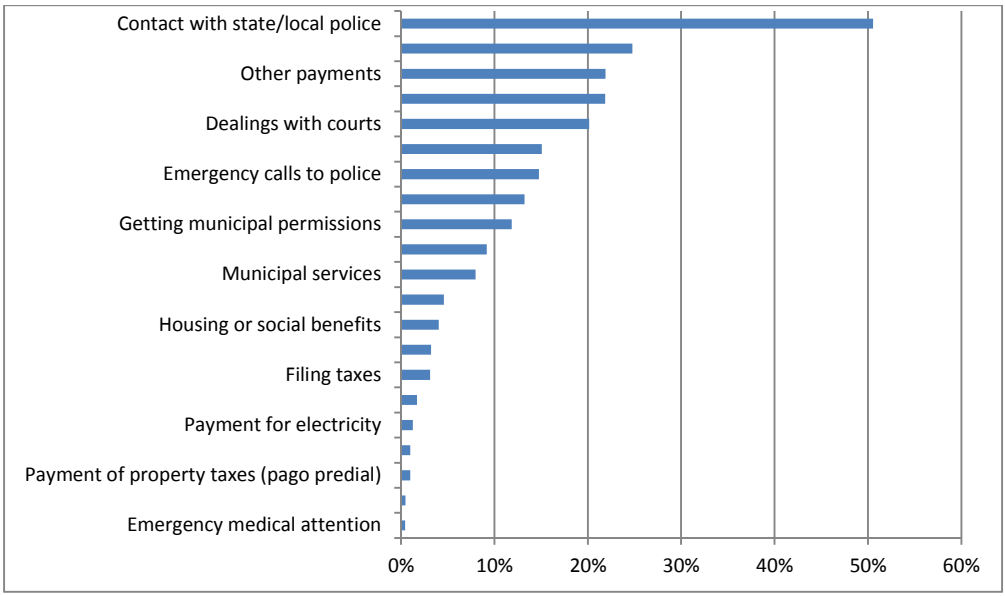
Opportunities for certain types of corruption can also (and more likely) be encountered at sub-national levels. Sub-national governments' responsibilities for certain services (e.g. education, health, security/justice, waste management, utilities, granting licences and permits) increase the frequency and directness of interactions between government authorities and citizens and firms, creating opportunities to test integrity. Strengthening local integrity systems, sub-national governments can capitalise on the opportunity to forge trust between citizens and governments at the local level. Recent work by the National Statistics Office of Mexico (INEGI), for example, compares citizens' reports of corruption experience with public services provided by federal, state and municipal authorities (Figures 2.4 and 2.5). As seen earlier, given the strong link between perceived corruption and integrity, vulnerabilities at sub-national levels can have repercussions for trust in government more broadly.

Figure 2.4. **INEGI corruption ratio by level of government and region**




*Source:* INEGI (2013), "Encuesta Nacional de Calidad e Impacto Gubernamental", www.inegi.org.mx/est/contenidos/proyectos/encuestas/hogares/especiales/encig/2013/default.aspx.

Figure 2.5. **INEGI corruption ratio for public services, proxy for share of interactions where corruption was experienced**




*Source*: OECD (2016b), Disciplinary Review of Mexico: Enforcing Integrity – Mexico's Administrative Disciplinary Regime for Federal Public Officials, OECD, Paris.

Taken together, the susceptibility to corruption and the proximity to citizens make local integrity systems at the sub-national levels of government critical to promoting trust. Strong local integrity systems for the public sector that define, support, monitor and enforce integrity through laws and policies, codes of conduct, internal controls and audits, and criminal/administrative sanctions, as well as engage citizens in government and oversight functions, are effective tools for building trust in public institutions. Systems such as the Amsterdam Integrity Bureau outlined in Box 2.7 ensure that public officials apply integrity in the distribution of public resources; this in turn leads to fairer distribution of resources, leaving the public to conclude that public officials are trustworthy. Integrity values can also improve on-the-job performance, resulting in more timely services. These values can also encompass better treatment of citizens and firms.

Box 2.6. **Local integrity systems: The case of the City of Amsterdam**

Several high-level political commitments to enhanced integrity, as well a corruption scandal in Amsterdam's Parking Authority, demonstrated the need for a local integrity system in the city of Amsterdam in the early 2000s. Capitalising on this as an opportunity to forge trust between citizens and government at the local level, the city of Amsterdam established the Integrity Bureau (IB) in 2001.

The IB consists of four pillars: internal investigations, risk analysis, screening, and training and advice. The IB also includes the Reporting Centre and the Central Confidential Integrity Advisor. The Integrity Violations Reporting Centre is open to public officials, administrators and councillors of the City of Amsterdam, as well as to private citizens and companies. The Reporting Centre records and validates reports related to a variety of integrity violations, including conflicts of interest, abuse of power, criminal misconduct (fraud, embezzlement, etc.) and wastage of municipal property. If a report is deemed to be concrete, then the IB will conduct an internal investigation, and notify the management of the lessons learned and possible areas for reform upon conclusion. The IB also undertakes risk analysis to determine where the integrity risks lie within an organisation, what measures are needed to reduce or eliminate the risks, and whether the existing controls work and are complied with. Finally, the Central Confidential Integrity Advisor within the IB has confidential Integrity Counsellors, who are responsible for offering advice and guidance on integrity issues to staff, identifying integrity issues, and supporting employees in addressing integrity issues as they arise.

The IB operates with the expectation that all employees and institutions within the City of Amsterdam take responsibility for acting with integrity. To that extent, the IB also focuses on equipping the institutions of the City of Amsterdam in developing and implementing their own integrity systems, by providing advice and guidance based on a seven-point model that emphasises moral learning of integrity and enforcement.

*Source*: Koolstra, J. (2016), "Integrity: Part of the day-to-day practice in the City of Amsterdam", in L. Huberts and [initial?] Hoekstra (eds.), *Integrity Management in the Public Sector: The Dutch approach*, BIOS, The Hague.

## Conclusion

Building on lessons learned from OECD member and partner countries, this chapter examined ways in which governments can better leverage integrity policies for building trust. Four key policy levers were identified: aligning integrity values closely with evolving concepts of acting in the public's interests (i.e. transparency, inclusion, courtesy, quality services,

etc.); making the most of mega events and large investments to both strengthen and affirm the governments' commitment to acting with integrity; ensuring political and senior leaders lead by example; and strengthening local integrity systems where citizens' levels of trust are often forged through public services and more frequent and direct interactions.

First, this chapter made the case that in assessing the relationship between integrity and trust, it is important to understand and apply the broader concept of integrity in the context of good governance looking beyond acts of corruption to also encompass values and norms for inclusion and transparency. The case of the Dutch programme to increase citizen participation in policy making, for instance, supports empirical research demonstrating the relationship between greater inclusion and higher levels of trust. These were just two of the values described, although other key values related to integrity include respect, courtesy, effectiveness and efficiency.

The chapter discussed the importance of grasping opportunities to strengthen and demonstrate commitments to integrity, by seeing to fruition major events and large infrastructure projects. Building on evidence from the EXPO Milano 2015 and the London Summer Olympics, this chapter showed that while such events or projects may be vulnerable to the risk of corruption, they are also good occasions to demonstrate the value of integrity systems.

Leading by example at the highest echelons of government, the third policy lever identified, was illustrated with examples from the United States and the United Kingdom. These demonstrated how a high level commitment to integrity (in this case through greater transparency in lobbying and political financing) could contribute to preventing policy capture.

Finally, this chapter looked at the vital importance of integrity systems at sub-national levels of government, where citizens' trust is often forged. When integrity values and systems are incorporated into this relationship through local integrity systems, as the case of Amsterdam showed, positive experiences between citizens and public officials will lead to higher levels of trust in government.

The case studies and evidence provided in this chapter are an initial exploration of cases from OECD member and partner countries. Future research could identify additional lessons learned warranting further investigation. Specifically, further research is required to dissect the relationships between integrity and trust in such scenarios.

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# *Chapter 3*

# Responding to citizens' needs: Public services and trust

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*This chapter discusses the importance of public service quality as a key determinant of trust in institutions. Recent country studies have shown a relationship between citizens' experience with government services – including employee and citizen engagement with public services – and trust and confidence in government more generally. Many countries have begun to use barometers that allow citizens to evaluate their experience with public services. It is important to monitor outcomes and adjust services accordingly; results in this area so far have been modest, and more effort is needed to ensure that services are well evaluated and that quality improves as a result. This chapter argues that often small-scale refinements in how services are delivered can have a big impact on satisfaction and, in turn, on trust.*

Access to quality services, such as education, health care, transportation and justice, is essential to connect people and businesses with opportunities to achieve higher-paid jobs, better living standards and longer, more fulfilling lives (OECD, 2015a). In all OECD countries, the provision of public services is an essential component of government action. Public services are provided on a large scale and offered to citizens and businesses as a right, in return for their tax payments. Although generally provided through a mix of public and private funds, the direct experience of citizens and businesses with these services matters in shaping their attitudes towards government.

Evidence from the literature and work carried out by the OECD suggests that improving service delivery can improve not only satisfaction with public sector organisations but also confidence in local and national governments. At the same time, trust in services and in service providers plays an important role in achieving key policy objectives. Distrust of government services, for instance in the health sector, can steer citizens to ignore or resist health information and services, negatively affecting their health outcomes (Whetten et al., 2006). Distrust can thus lead to sub-optimal outcomes from public policies, involving wasted resources.

The transmission mechanism through which service provision may affect trust in public institutions has been referred to in the literature as the micro-performance hypothesis: better quality public services can lead to more satisfied users which in turn can generate increased trust in government (Van de Walle and Bouckaert, 2003; Yang and Holzer, 2006). In other words, positive individual experiences of citizens with government agencies aggregate into a society in which government is respected as a competent and trustworthy "partner" of citizens in their daily lives. Elements affecting the trust of citizens in government include not only those aspects related to government competence, in terms of the quality, timeliness and effectiveness of public services, but also those related to the principles guiding the provision of such services. Increasingly, dimensions such as engagement with users, leading to more tailored services or innovative forms of service design and delivery, contribute to shaping trust-related attitudes by reducing the gap between expectations and performance (Beeri, 2013; Yang and Holzer, 2006). Likewise, consistency in treatment across different socio-economic groups and geographical areas informs generalised observations of fairness in service delivery as a key driver of trust in government (Chen et al., 2012; Guerrero, 2011).

This chapter is divided in three sections. The first section explores the link between self-reported satisfaction with services and trust in government using a mix of evidence from large-scale household surveys and academic

literature. Although trust of businesses in their government might also be affected by their satisfaction with the services they receive (for instance regarding timeliness to obtain a building permit or a licence to set up their facility), the analysis presented in this chapter focuses on services provided to citizens where more data and research are currently available. The second section explores how attributes such as access, responsiveness and quality of services, such as education and health care, can affect citizens' trust in public institutions. Building upon it, the third section presents some country initiatives carried out in OECD countries to improve services delivered to citizens. The conclusion summarises the main points developed in this case study and underlines the importance of service delivery to support trust in government and public sector organisations, as part of a broader trust-building agenda.

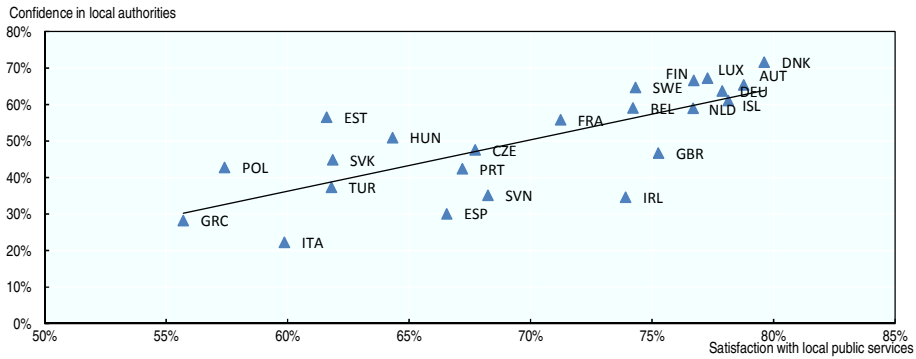
## Public services: The cornerstone of trust in government

Available literature suggests that citizens' experiences with public services can influence levels of trust in government. Authors (e.g. Guerrero, 2011) assert that the performance of public services is a predictor of trust in the government. Gyorffy (2013) finds evidence demonstrating that the quality of public services generates trust towards the institutional framework, and contributes to general compliance with rules and paying taxes. Christensen and Laegreid (2005) find that citizens who are more satisfied with specific public services generally have a higher level of trust in public institutions. Despite the methodological difficulties in measuring trust in government, data from large-scale household surveys reveal some meaningful insights regarding self-reported satisfaction and trust with public services and institutions. In particular, there is evidence that people's satisfaction with public services is positively related to their trust in the government (see Figures 3.1 and 3.2).

Using a composite measure of overall satisfaction with key services (including satisfaction with health care, education, police, public transportation, housing, quality of air and quality of water) we find a positive correlation between satisfaction with public services and trust in local governments ($R^2$=0.75) in OECD-EU countries over the period 2008-2015 (see Figure 3.1).

Figure 3.1. **Satisfaction with local public services and confidence in local government**

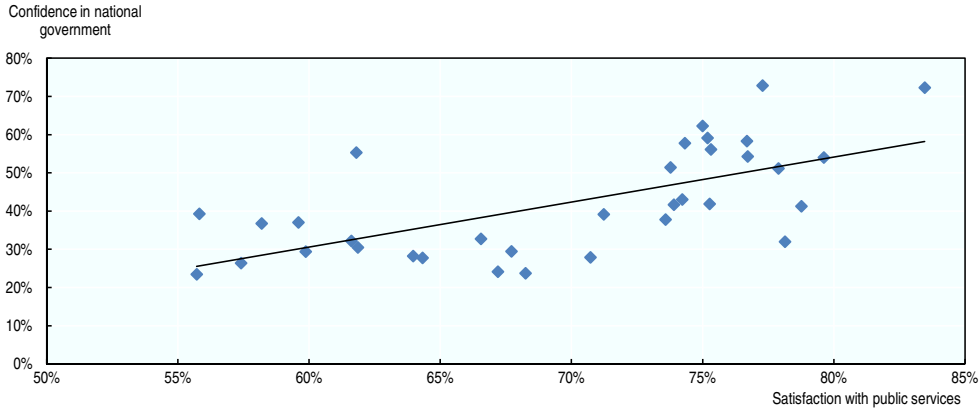
Correlation between the level of self-reported satisfaction with local services and self-reported confidence in local authorities in OECD-EU countries, 2008-2015




*Source:* Gallup World Poll (database) and Eurobarometer (database).

Satisfaction with services is also associated with greater trust in the national government, although to a lesser extent. This can be explained by the fact that confidence in local government is driven more by direct experiences of citizens with local public institutions, while a positive experience with a local service might not be as directly associated by the citizen with the actions of the national government. Nevertheless, a positive correlation ($R^2$=0.65) between satisfaction with public services (at the local level) and trust in national governments can be found in OECD-EU countries over the period 2008-15 (see Figure 3.2).

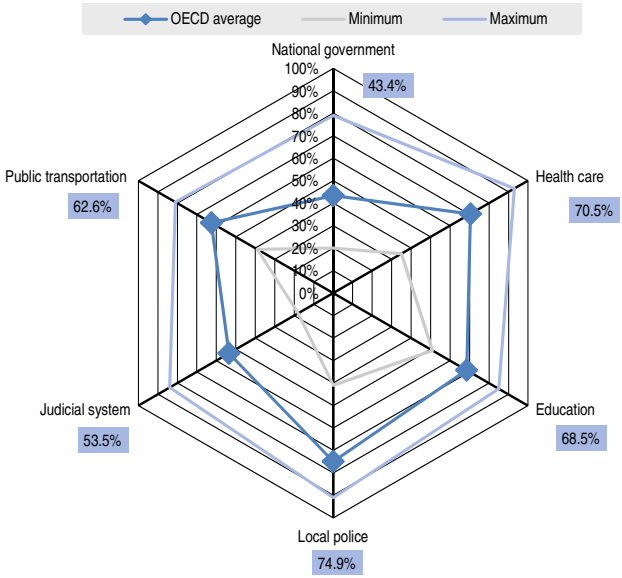
Figure 3.2. **Satisfaction with local public services and confidence in national government**




*Source:* Gallup World Poll (database).

Across OECD countries, citizens are more satisfied with public services than they are with national political institutions (see Figure 3.3). In addition, large household surveys show that the global crisis and subsequent austerity measures had a more detrimental impact on trust in national governments than they affected citizens' satisfaction with services, though it is possible that cuts to the level of public services will have an impact on satisfaction after a time lag.

Figure 3.3. **Confidence and satisfaction with government services and institutions, 2015**




*Note*: Confidence in national government corresponds to the percentage of "yes" answers to the question "In this country, do you have confidence in each of the following, or not? How about national government?". Confidence in the judicial system corresponds to the percentage of "yes" answers to the question "In this country, do you have confidence in each of the following, or not? How about the judicial system and the courts?" Reported satisfaction correspond to % of "yes answers to the questions: "In the city or area where you live, are you satisfied or dissatisfied with the availability of quality healthcare?"; "In the city or area where you live, are you satisfied or dissatisfied with the educational system or the schools?"; In the city or area where you live, are you satisfied or dissatisfied with the public transportation systems?" "In the city or area where you live, do you have confidence in the local police force, or not?"

*Source*: Gallup World Poll (database).

The data and different research studies suggest that there is an opportunity to influence public trust by improving satisfaction with services, independently of broader macro dynamics that may fall beyond the immediate scope of control of policy makers. Not only do citizens make a distinction between trust in political institutions and trust in the public administration and the services it provides (particularly at local level), but the literature also suggests that the latter over time can contribute to reinforcing overall levels of trust in government (Kampen et al., 2003). In addition, high levels of trust in one institution tend to extend to other institutions. While there is broad recognition that trust in government is also influenced by demographic factors, and political-cultural variables,

improving satisfaction with services can provide a sustained, tangible policy lever for building trust.

## In practice: Serving citizens better to strengthen trust

### *Access to public services and trust*

Access to public services is key for economic and social development, and plays an important role in shaping trust-related attitudes towards public institutions. Hamilton and Svenson (2014) argue that poor public service access leads to a general distrust in the political system and, as a consequence, reduced political participation. The authors provide evidence of a correlation between lack of access to services and mistrust in government institutions that appears to work both through a direct channel (if a respondent does not have access to public services, they are less likely to trust government institutions) and through an indirect channel (if a respondent lives in a state with below-average access to public services, they are less likely to trust government institutions – irrespective of whether their own access is good or not). These findings have also been confirmed at the sector level. For instance, in the health sector, Meyer et al. (2013) found that trust in all levels of government was found to be the lowest in population groups that were identified as having the poorest access to services.

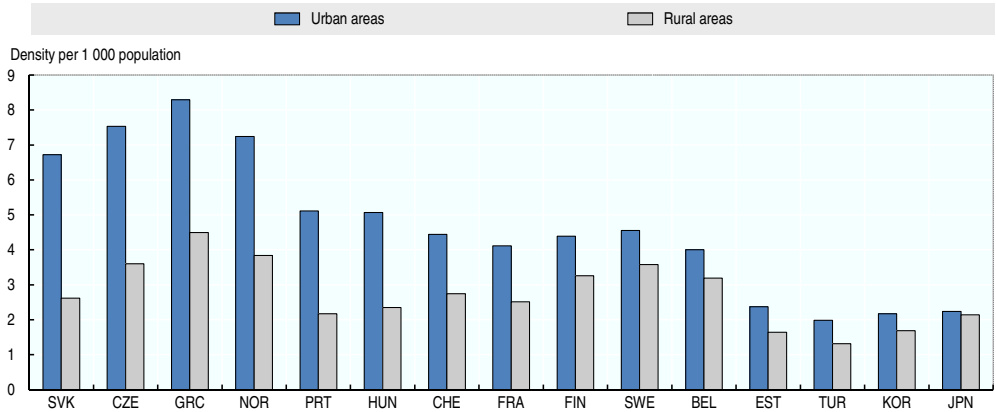
Inequalities in access to services persist today in OECD countries. For example, in the realm of education, 15% of the variation (on average) in students' performance in mathematics can be explained by their socio-economic background. In 2013, over 50% of students enrolled in tertiary education had at least one parent with that level of education, whereas only 10% of children whose parents had not completed their secondary education were enrolled in university. In the health sector, while the majority of OECD countries have achieved and maintained universal coverage for health care, challenges remain. On average across EU countries, people with low incomes are eight times more likely to report unmet care needs. Differences in access to services also remain for spatial reasons, with large cross-regional disparities in outcomes persisting in many countries (OECD, 2015b).

Overcoming challenges in access to services may at least partly be related to improving the affordability, geographic proximity, and accessibility of information across social groups and places. OECD countries have made and continue to make important efforts in this direction. Efforts to improve affordability, for instance, include attempts to map both direct monetary costs and indirect non-monetary costs (for

instance transaction costs or the cost of time) in order to align them with the reality of users, taking into account socio-economic backgrounds (e.g. out of pocket medical expenditure as a percentage of final household consumption).

Geographic proximity also matters in improving access to services. In the health sector, for example, the density of physicians is consistently greater in urban regions, reflecting the concentration of specialised services such as surgery and physicians' preferences to practice in urban settings, particularly in national capitals (see Figure 3.4). In turn, shortages of physicians in rural regions can result in greater unmet care needs, lower levels of satisfaction and, over time, declining confidence in the ability of medical institutions to deliver high-quality care to all.

Figure 3.4. **Physician density in predominantly urban and rural regions (2011)**




*Note*: Countries are ranked in descending order of the difference between the number of physician practicing in urban areas and in rural areas.

*Source*: OECD Regions at a Glance 2013.

In many OECD countries, different types of financial incentives have been provided to doctors to attract and retain them in underserved areas, including one-time subsidies to help them set up their practice and recurrent payments such as income guarantees and bonus payments. In Germany, the number of practice permits for new ambulatory care physicians providing services to statutory health insurance patients in each region is regulated, based on a national service delivery quota. In France, new multi-disciplinary medical homes were introduced a few years ago as a new form of group practice in underserved areas, allowing physicians and other health

professionals to work in the same location while remaining self-employed (Ono, Schoenstein and Buchan, 2014).

Digitalisation is now usually the key ingredient in efforts to improve access to public services. In education, for example, technology is enabling new teaching and learning methods, as well as new mechanisms to facilitate administration, parent interaction, and teacher-pupil and pupil-pupil relations, that could revolutionise access to services (see for example Box 3.1).

Box 3.1. **Integrated approach to digital welfare in Denmark**

"The Common Public Strategy for Digital Welfare 2013-2020" is an important pillar in the Danish Government's medium-term planning framework, "Growth Plan Denmark". In this plan, modernisation of the public sector is expected to free up resources corresponding to EUR 1 600 million in 2020. The Strategy is joined up across all levels of government, complementing the existing e-government strategy with a focus on the digitisation of public welfare services in seven focus areas:

- National rollout of tele-medication, including identifying relevant areas, testing new patient groups and ensuring the necessary infrastructure
- Effective collaboration in the health care area, including digital booking at hospitals, better use of patients' own information, implementation of a joint national medication card, fully digital communication in the health care sector, and increased use of video conferencing
- Welfare technology and care, including the rollout of devices to help lift patients, use of robots in senior housing facilities, digitally supported recovery and testing of smart homes
- New digital methods in case handling, including freeing up resources through speech recognition, better evidence in social programmes, and increasing quality through better data sharing
- Digital learning and education, including using digital teaching aids and educational materials in schools, digital exams, and digital tools for day care
- Digital co-operation in the field of education, including a joint user portal for primary schools, a digital folder to store all educational certificates, and better sharing of digital learning tools
- Preconditions for digital welfare, including sufficient broadband coverage, establishment of a joint public solution for mobile security, joint security standards and digital competencies.

*Source:* DIGST, 2015; OECD, 2014.

Finally, accessibility of information is an essential enabler of access to services. When information is not accessible, or is not easily understandable, an information asymmetry occurs that can significantly constrain choice and thus impact services.

Box 3.2. **Improving accessibility of information in Sweden: Min Pension**

Min Pension is a current service which on a daily basis helps the Swedish people obtain an overall picture of their earned pension rights through a pension tracking system, the possibility to form a projection of their old age pension, and a retirement planner. The website can be accessed through a single login from external Internet sites, the Swedish Pensions Agency, several banks, and pension companies. A user can access the site with just one click.

This policy dramatically improved the accessibility of information about the service; before, the information was only provided from a product point of view and presented partially and with different assumptions underlying the information provided. For a user, therefore, it was not possible to get an overall view on their earned pension rights.

## *Responsiveness of public services and trust*

Recognising public service responsiveness as a driver of trust reflects the core objective of public administration, which is to serve citizens. Efforts aimed at better aligning services with the needs and expectations of citizens, and at improving their timeliness, can help improve levels of satisfaction, and ultimately trust in the government. Properly capturing user feedback and actual experience is essential to improving responsiveness.

But responsiveness goes beyond a unilateral relationship of government with citizens and business. Increasingly, the relationship provider-beneficiary between government and citizens is evolving to one based on partnership and joint value creation. Governments increasingly recognise that service users and communities know things that many staff commissioning and delivering public services may not, and can help enormously to improve outcomes. Responsiveness in service delivery can thus also take the form of a new relationship between citizens and governments. The OECD Observatory for Public Sector Innovation (OPSI) case studies show different approaches of co-creation between government and citizens (from community safety to health, housing or transportation) that have led to increased user satisfaction and improved outcomes.

Initiatives focused on better understanding user needs and experiences so as to then re-design and improve services have been introduced in many OECD countries. For example, in France, feedback emerging from the introduction of the "user's journey" approach, has led to the re-design of specific administrative procedures affecting key disadvantaged populations (e.g. immigrants and the disabled). Other countries are also developing options for better case triage and client orientation with links to other services (e.g. health and social), such as the Citizen Shops in Portugal (see OECD, 2009).

Aligning service provision with special needs is another dimension of responsiveness in service delivery. It relates to the ability of the public administration to adjust services to the needs of various socio-economic groups, for example by adjusting teaching methods to students with special needs (in the education sector) or by offering simple yet personalised health monitoring services to elderly and disabled persons, as is being done in Italy (see Box 3.3).

Box 3.3. **The match of services to special needs: offering services to elderly and disabled persons at home over the phone in Italy**

In Italy, the Social Security National Institute (INPS) Mobile Counters offer services that are provided at the INPS agency to elderly and disabled persons at home over the phone. The Mobile Counter working team is almost completely composed of disabled staff from INPS agencies, who are aware of the difficulties that elderly and disabled people face. Via a personal security code, the customers can be identified and services that usually would require physical presence can be performed remotely over the phone.

Since the start of the project, 600 complex procedures were solved and 1 200 telephone transactions provided information. About 250 000 out of 650 000 users belonging to disadvantaged groups have been included in the initiative; 8 000 services have been delivered.

User satisfaction is measured with telephone and personal interviews. Feedback has been positive for terms of service improvements and timeliness of responses.

*Source*: OPSI.

Likewise, the timeliness of services, for example in terms of waiting times for a specialist appointment (in the health sector), waiting times for a doctor and nurse appointment (health), or the deposition time in days for litigious civil and commercial first instance cases (justice) can influence citizens' evaluation of the responsiveness of public services. Thus, real-time indicators presented in a visibly accessible manner and incorporated into the

daily operations of an organisation can be invaluable in improving timeliness of services.

### *Efficiency, high quality of public services and trust*

The quality of a service corresponds to the overall acceptability of an application or service, as perceived subjectively by the end-user. Badri, Al Khaili and Al Mansoori (2015) find evidence for the causality relationship between quality of services, satisfaction, and trust in government. According to their model, citizen demographics, expectations and quality of services influence citizen satisfaction; and ultimately, citizen satisfaction influences trust in government. Quality of services also matters for fairness. Low-quality services may divide society between those who can afford a private solution (e.g. private health care or education) and those who cannot.

Improving overall quality of services relates, first and foremost, to effectively delivering the goods and services – i.e. the outcomes, for which services were established in the first place. This delivery needs to take place in a context of security for the user and of consistency, so that the opportunity afforded by services is accessible to all regardless of socio-economic background or place-based considerations.

OECD countries are increasingly introducing mechanisms to promote a focus on outcomes in service delivery. An example of this is the Pay for Success Bond or Social Benefit Bond. This arrangement is a contract with the public sector in which a commitment is made to pay for improved social outcomes that result in public sector savings. Several countries have already implemented social impact bonds (see Box 3.4 for the United Kingdom example). There are a number of international examples of initiatives designed along similar lines, including schemes working with juvenile offenders in the United States.

### Box 3.4. **Effective delivery as a dimension of service quality: Social Impact Bonds**

The UK Government is testing a six-year Social Impact Bond at HMP Peterborough prison, to address a gap in current service effectiveness. The pilot is focused on working with adult male offenders sentenced to less than 12 months in custody and released from Peterborough prison. Despite often being highly prolific re-offenders, these offenders currently receive no statutory probation supervision on release from prison.

The pilot project focuses on the delivery of rehabilitation services and support interventions to about 3 000 members of this group, so as to achieve a reduction in re-offending. Only the reduction in re-offending rates will trigger payment to the implementation agency, Social Finance UK Limited.

Social Finance UK Limited has raised GBP 5 million of social investment from a range of voluntary organisations to fund delivery of interventions and services to offenders by community sector provider organisations. If this work leads to a reduction in re-convictions of the offenders covered by the pilot, approximately GBP 8 million of outcome payments will be available; the value of these payments is directly linked to the scale of the reduction achieved. The Ministry of Justice will provide approximately GBP 3 million to fund outcome payments, with the remaining GBP 5 million provided by the Big Lottery Fund. If successful, there will be a direct benefit to the justice system in England and Wales, and wider direct and indirect social and economic benefits as a result of reduced re-offending.

*Source*: OPSI.

Service charters, which outline clearly the rights and obligations, statutory and non-statutory, of all users in relation to a service and/or organisation, have also been implemented across OECD countries and beyond, to ensure consistency in service delivery and in outcomes, and avoid unnecessary or discriminatory variation of service quality. France, for example, has established a charter of public service values. Canada Post has defined its Mandate in its 2009 Service Charter: "Universal service, affordable rates, frequent and reliable delivery, convenient access to postal services, secure delivery, community outreach and consultation, responding to complaints, reporting on performance".

In the tax sector, for instance, the way taxpayers are treated – including by way of the quality of services provided to them – is an important factor in influencing compliance. It is for this reason that charters often place emphasis on expectations of a revenue body in terms of: 1) treating

taxpayers fairly and reasonably and as being honest in their tax affairs unless they have acted otherwise; 2) offering professional service and assistance to help taxpayers understand and meet their obligations; 3) engaging with taxpayers and their representatives; and 4) minimising the cost of compliance (OECD, 2013a).

Finally, security (safety) relates to the need to deliver services in a manner and in a context in which citizens are protected. Because of its direct relevance for users, improving safety in service delivery can be a natural goal for co-creation approaches, as this example from the transport sector illustrates (Box 3.5).

Box 3.5. **Improving road safety in South Somerset, United Kingdom**

With limited resources available, driving offences in rural areas generally receive less police attention than on main trunk roads and motorways, despite the fact that a high proportion of accidents are on country roads.

Community Speed Watch gives local people the ability to get involved actively in road safety issues. The initiative aims at improving road safety through an inclusive, community-based and community-led approach. At the same time, the South Somerset Community Speed Watch initiative has the objective of improving partnership working with the police, fire and rescue services and various levels of local Somerset government.

The Community Speed Watch scheme has exceeded the original targets set for year one and is continuing to grow. It was anticipated that with the launch of the scheme, the number of speeding issues reported through the area boards' community issues system would initially increase and then decrease as the scheme took effect. The following improvements to the scheme have been suggested by volunteers and are now being addressed by the project steering group: better signage in speed limit areas; more speed guns, recording devices to allow volunteers to record number plates, greater flexibility in the choice of Community Speed Watch sites in each area, and the development of a Community Speed Watch website.

*Source*: OPSI.

## Conclusion

Improving public services, in terms of access, quality and responsiveness, can play an important role in strengthening trust in government via the connection between service performance, satisfaction, and trust. Further, it provides an anchor for sustained, tangible government

efforts that citizens are able to value and assess, and that lie within the remit of public officials (rather than more macro political dimensions of trust over which they might have little direct influence).

The framework developed in Chapter 1 of this report identifies some key drivers in improving citizens' satisfaction with services that could have a positive influence on trust. These drivers involve not only aspects related to competence, or how governments organise themselves to improve the quality, timeliness or security of public services, but also to values, by ensuring adequate levels of financial and geographical access, engaging with users to better align services to their needs and preferences, and ensuring consistency in service delivery and outcomes.

There are many examples of how governments in OECD countries are seeking new approaches to service delivery that allow them to increase not only the quality and efficiency of public services, but also their access and reach. Indeed, the OPSI review highlights many such examples. Ongoing efforts to improve affordability, geographic proximity and accessibility of information should continue and be deepened, with a view to reducing remaining access gaps across social groups and place-based considerations. Better understanding citizens' needs, experience and preferences can result in better targeted, more tailored services, including for underserved populations. The increasing focus on outcomes, in part driven by productivity concerns, can help drive innovative solutions in service provision, including through changes in how government units and sectors organise themselves to deliver jointly.

Across these dimensions, evidence from OPSI and other sources suggest that OECD countries are making important efforts to improve the performance of services through innovative approches, from social innovation to co-production or digital welfare. These approaches offer opportunities for maximising the access, reach and quality of public services while empowering beneficiaries and communities, and merit continued effort and analysis. Likewise, the potentail of new techniques and instruments such as behavioural insights should be furthered explored to inform the design and delivery of services, with an eye towards (among other things) increasing satisfaction and trust.

Modern governance systems include both government and non-government actors; both can influence the trust equation. For instance, in many countries, key services such as health care or education are delivered by a mix of public and private providers. Current data regarding satisfaction levels often do not distinguish between public and private service providers. At the same time, the evolving role of the private sector, community

organisations and users themselves in delivering services places new capacity demands on civil servants, including planning, partnership management and outcome-based evaluation. While one can assume that these new partnership approaches to service delivery bring benefits to users, more work is needed to develop the data to prove this satisfaction premium.

Finally, it is important to recognise that subjective and context-specific factors also affect the relation between performance, satisfaction and trust. For instance, performance of the public administration has a certain impact on trust in government, but existing levels of trust in government may also impact the perceptions of government performance and service quality. Socio-economic context, history, cultural factors, political situations or media influence could have an impact on overall levels of trust. Satisfaction with public services thus needs to be understood as only one of many drivers of trust in the government and public institutions – albeit one where there is a possibility of direct government action to strengthen the relationship between citizens and the institutions that serve them.

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# *Chapter 4*

# Regulations, fairness and trust

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*Citizens' perception of fairness, in process as much as in outcome, is a critical dimension of trust. People must feel they have a real voice, be treated with respect, and receive necessary explanations. Positive perceptions of fairness lead to greater acceptance of agency decisions, better compliance with regulations, and more co-operative behaviour in dealing with agents of the government. The reverse also holds: citizens are more likely to accept negative outcomes, such as financial penalties, if they feel that they have been treated fairly. In general terms, low trust generates extra transaction costs for citizens, businesses and government. This chapter looks at empirical evidence on the links between good regulatory practice and trust in public policy.*

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

## Introduction: The human dimension of regulation

Today only four out of ten citizens in OECD countries say they have confidence in their national authorities. Given that regulation is one of the most important interfaces between citizens and government, the ability of the regulatory process to engender public trust is crucial to the broader issue of trust in public institutions (OECD, 2015a). The framework presented in Chapter 1 includes several dimensions of trust that are important to ensure confidence in the regulatory process. These include factors relating to both competence (responsiveness and reliability) and values (integrity and transparency). This chapter, however, focuses in particular on the third value dimension of fairness, in both the regulatory process and the outcomes that it generates.

The disconnect between improved regulatory practice on the one hand and lower trust on the other can have important policy consequences. When citizens have experiences with government that leave them feeling unfairly treated, they emerge from those experiences less willing to comply with regulations and with less trust in government. These negative attitudes in turn make enforcement of regulations more difficult and can make the entire regulatory process less effective. In fact, people are capable of acting against their own financial interests where they perceive that a system is unfair. Individuals or organisations that feel unfairly treated may decide not to co-operate even if the consequences are negative for them (Giacalone and Greenberg, 1997; Lind, 1997; Lind et al., 2000). Conversely, when citizens feel fairly treated they are generally willing to incur costs for the greater good provided they feel confident that others are doing the same (Lunn, 2014). This is an important general point with respect to how trust influences public policy: in an environment of high trust, it is possible to undertake reforms that are long term, that are ambitious, and that potentially include short-term sacrifices for long-term gains.

Research in this area has identified several elements of process and practice that invariably affect perceptions of fair or unfair treatment in interactions with government agencies. First, the research shows that when people feel treated fairly by government, their immediate reactions make enforcement of regulations and decisions easier. Perceptions of fair process lead to greater acceptance of agency decisions, better compliance with regulations, and more co-operative behaviour in dealing with agents of the government (Lind, et al., 1993; See, 2009). In practical terms, these fairness effects suggest that if perceived procedural justice elements are built into the design and administration of a regulation, that regulation will in fact work better and be easier and cheaper to enforce. While the objective fairness of

outcomes is of course an important policy consideration, subjective judgements of the fairness of outcomes are less important psychologically than subjective judgements of the fairness of process. This reinforces the concept that trust more broadly is as much about perception and subjective interpretation as it is about facts and direct experience.

At the same time, the fairness judgements considered here are personal reactions to real individual experiences with government: the research described has studied how people arrive at perceptions of process fairness from their personal experiences and how these perceptions then affect other attitudes and actions.

People are quick to form fairness judgements, which have pronounced effects on their subsequent attitudes and behaviour. There is an emerging consensus that fair treatment is interpreted as an indication of one's inclusion and status in society, while unfair treatment is interpreted as a warning sign of potential exclusion and exploitation. Most people have relatively few personal experiences with their government outside of encounters with police and the officials and agents who enforce government regulations. If, as psychologists suppose, these people use fair or unfair treatment in these encounters to "diagnose" the health of their inclusion in the state or their status in relation to the most powerful social entity in their lives, it is hardly surprising that fairness perceptions inform and drive behaviour towards and attitudes about the government including the level of trust that public institutions inspire.

Fair process effects – the positive premium generated by the judgement that a process was fair – have been shown to increase loyalty to leaders, make co-operative action more likely, and increase trust in the decision maker, the government, and justice institutions. Perceptions of fairness in lawmaking and law enforcement have been shown to affect people's general willingness to obey laws, including willingness to respect tax laws and rules. Lind, for example, finds a strong empirical link between a perception of fairness in process and acceptance of legal decisions, even among the losers. But just as processes that are seen as fair promote positive reactions to experiences with regulation, processes that are seen as unfair produce a variety of undesirable reactions, including dissatisfaction with the agency and officials encountered, rejection of the decision, distrust in government more generally, including in democratic processes, and antisocial behaviour.

## Trust and fairness in the design of regulations

Perceptions of fair treatment can play a role in virtually any context in which citizens interact with public institutions; as such, they represent an

important driver of trust more generally. In the realm of regulation, such interactions occur for the most part in two settings: when governments seek citizen input on proposed regulations, and when citizens encounter enforcement actions, hearings, and appellate procedures as regulations are administered. In either of these categories of citizen engagement with regulation, perceptions of fairness can be improved by procedures and official behaviour that promote the sentiment that citizens' views have been heard and considered, that they have been treated with dignity and respect, and that they received honest and helpful explanations.

While meetings and hearings designed to engender feelings of fairness *theoretically* promote acceptance of regulations, sometimes the reality of the process or its enactment falls short of this goal and problems ensue. For example, in the US state of North Carolina, a series of stakeholder meetings on environmental issues were designed to gather input on new regulations controlling pollution in a river system (Maguire and Lind, 2003). The policy makers who held the meetings hoped that they would lead to feelings of voice and fairness, and thus would enhance acceptance of the regulations ultimately decided. However, interviews with citizens who attended the meetings suggested that many did not see the process as fair. They felt that participants did not have sufficient time to digest and react to the rather complicated information and environmental issues involved. This counteracted any fairness advantages of the process and negated any fair process effect that might otherwise have resulted from the new hearing process.

The shortcomings of the North Carolina meeting process signal caution not only for attempts to bring procedural fairness to the process of designing and enacting regulations, but also for attempts to enact fair procedures in the administration of regulations. What counts is whether the process *as enacted* engenders perceptions of fair treatment. The intentions of the programme designers in the North Carolina process, which seemed sincere to the researchers, did not count for much against the perception that the process was simply pro forma.

The North Carolina experience carries another message. It is of course important to ensure that stakeholder consultation is not just undertaken to "tick a box". A recent survey finds that OECD member countries are clearly paying increasing attention to various ways to engage stakeholders in the design of regulations. Yet, consultations often occur too late in the process to inform decision making. Expectations may be raised, but not necessarily met. Stakeholder engagement still seems to be used more for transparency purposes than evidence gathering (OECD, 2015b; Alemanno, 2015). Furthermore, stakeholders need to be educated in engagement culture, to

increase the likelihood that their voice is heard. They need to be better informed as to when and why they may have a chance to influence government decisions. In addition, governments must establish the conditions for increased trust in the engagement process, by providing sufficient feedback and by preventing consultations from being captured by strong lobby groups and special interests (OECD, 2015b).

## The keys to fair process: Voice, respect and explanation

Three general elements of process and behaviour stand out in terms of their impact on whether a citizen will feel fairly treated in his or her interactions with government. Each of these three – voice, polite and respectful treatment, and explanations – will be discussed in some detail in this section. In addition, two other topics that do not fit into these three factor categories will be addressed here because of their potential for improving perceived fairness in regulatory settings. The first has to do with making the *practice* of procedural justice more effective in engendering feelings of fair treatment. The second concerns the need to assure citizens of the integrity and competence of government officers and agents.

### *Voice*

The earliest research on procedural justice and fair process effects involved experiments and surveys comparing procedures that did or did not guarantee people a chance to present their views (e.g., Walker et al., 1974). This element of process fairness – termed "voice" in the research literature – remains the most extensively researched and arguably the most powerful precondition for perceived procedural fairness. Innovations that enhance voice have great potential to improve perceptions of justice and thus to generate positive changes in attitudes and behaviour. However, research on voice makes it clear that it is not enough just to allow for more raw input or comment: there must also be some indication that the input was actually given consideration.

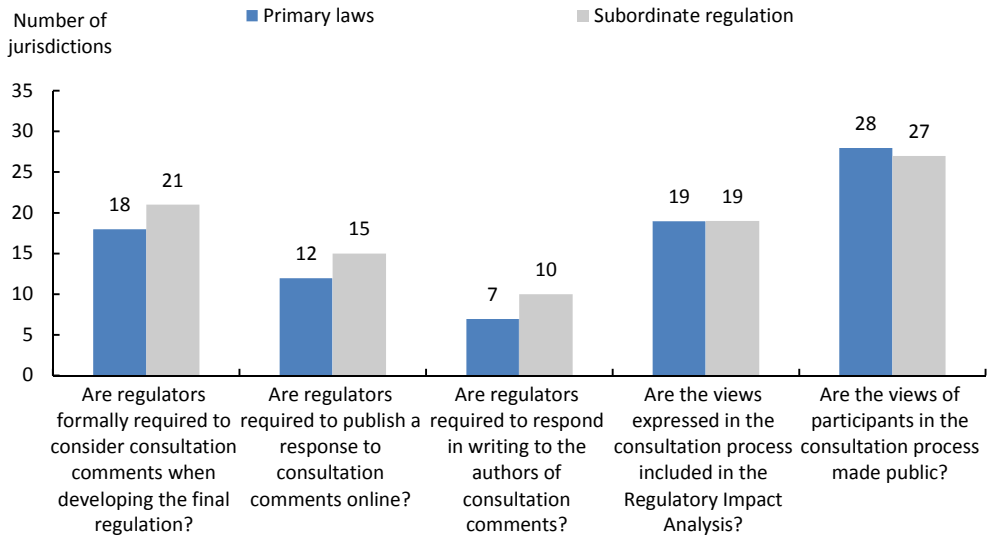
Voice does not improve perceived fairness if it is simply an opportunity to comment without response or reaction from the agency or decision maker. As the relevant literature has developed, it has become clear that voice effects occur only when there is reason to believe that voiced views have been considered by the person or agency that is making decisions (Tyler, 1987). For fairness benefits to be realised, the decision maker must actually demonstrate that consideration was given and the voiced views "processed." Again, note that this is not the same as having one's voiced views accepted – a decision maker, or an agent of regulatory administration, can show that

he or she has heard and understood the views voiced by the citizen but still render a decision contrary to what the citizen wants.

Note also that the need for there to be evidence of consideration means that the comment meetings and online comment opportunities sometimes used in designing regulation may fail to instil a sense of voice. There is no any empirical evidence on this point, but concern would seem warranted based on extrapolation from voice effects in policy contexts that have been studied. To be able to speak at a hearing or to be allowed to write one's views on a website or in a letter only fulfils half of what is needed for voice to enhance perceived fairness; there must also be some indication that the comments have been considered. Regulators may need to provide those commenting with a report on the views expressed, how they were considered, and whether and how they were incorporated into the regulation.

Figure 4.1 illustrates obligations in OECD countries to provide feedback on consultation comments. In twelve member countries regulators are required to publish a response to the comments on line with respect to the development of primary laws. Such a requirement exists in fifteen countries for subordinate regulations. Only in a few countries (seven for primary laws and ten for subordinate regulations), though, do regulators respond directly to those making comments. This takes the form of individual answers to each author of consultation comments in only four countries for both primary laws and subordinate regulations. In other countries a summary responding to the most important or significant comments is published on line.[1]

Figure 4.1. **Obligation to provide feedback on comments**




*Note*: Based on data from 34 countries and the European Commission.

*Source*: 2014 Regulatory Indicators Survey results, www.oecd.org/gov/regulatory-policy/measuring-regulatory-performance.htm.

Thus, while there are procedures and rules that mandate consideration of voiced comments in over half of the OECD countries, it seems that individuals making comments often do not "see" this consideration. It is not difficult to imagine that many citizens actually have their voice considered without knowing that their views were incorporated into the design of regulations. The online comment procedures open to all citizens may therefore be an example of justice done, but not of justice seen to be done.

## *Respect*

Perceptions of fair process are enhanced when people feel that they are treated politely and with respect in the course of interaction with government. Perceived respect has been shown to be very powerful in shaping procedural justice judgements. A study in US state courts compared litigants' reactions to four different procedures for resolving civil disputes, and found that the litigants' belief that their case had been handled in a respectful manner was the single most powerful determinant of fairness perceptions and of preferences for using one procedure over another (Lind et

al., 1990; MacCoun et al., 1988). The Australian Queensland Community Engagement Trial (QCET) random stop experiment provides another example of behaviour that was designed to enhance procedural justice reactions by promoting polite and respectful treatment. In designing the fair treatment condition in the QCET study, the researchers and police worked together on a "script" that would modify standard police practices in ways that promoted perceived procedural fairness. They decided that respect could be conveyed by paying special attention to polite language and having the officer crouch down while speaking to the seated motorist (to bring the officer's face to eye level for the motorist). These and other elements of fair process did enhance feelings of fair treatment and increased acceptance of the law and compliance with the police (Mazerolle et al., 2012).

It is important to remember that what constitutes polite and respectful treatment varies from culture to culture and from one context to another. In addition, because the behaviours involved in this element of procedural fairness are so nuanced, the government officials and agents who are enacting the process should receive adequate training and find ways of conveying respect that fit their own personal styles. There is evidence that training programmes can be successful in raising levels of politeness and respect: a randomised control study of police training in Chicago (Schuck and Rosenbaum, 2011) demonstrated the value of procedural justice training, showing how fairness training can affect the subsequent attitudes and behaviours of officers.

Why do people place so much emphasis on respect and politeness as they decide whether they have been treated fairly or not? As noted earlier, theorists believe that people generally interpret fair treatment as an indication of whether they can co-operate without fear of being excluded or exploited. For this reason, fairness judgements are likely to be based on elements of process and treatment that seem reasonably linked to inclusion and safety. Polite and respectful treatment, like voice, carries the message that one is in fact a valued member of the state. These rather abstract, and seemingly trivial, considerations turn out to have important practical implications, since they tell us something important about what parts of politeness and respect are likely to be most important: elements of behaviour and process that convey inclusiveness and solidarity.

### *Explanation*

Providing explanations about the regulatory or administrative processes and about the reasons for decisions enhances procedural justice judgements (Bies and Moag, 1986, Lind et al., 2000). Honest, comprehensible

explanations give the citizen reason to believe that their participation in the process is real, and that they are being treated like someone worthy of receiving the information needed to navigate the process and understand decisions.

Those who design and administer regulations, and who deal with regulations and administrative decisions every day, may forget that most citizens are unfamiliar with the regulatory process. Even well-educated people often have only an abstract understanding of how regulatory hearings work, how a given regulation is to be applied, or how decisions are made and enforced. Not understanding the rules can be extremely frustrating, and more than a little alienating. Lack of explanation invites attributions of bias or arbitrariness, as the citizen or stakeholder tries to understand what has happened and why. Indeed, in a US study of compliance with and litigation against employment termination decisions, employers who were seen as not providing honest explanations for the reason for dismissal were seen as much less fair (and were ten times more likely to be sued) than were employers who provided explanations (Lind et al., 2000).

In practice, the key features of explanations that should be involved are an explanation of how the process will play out, a description of what the decision criteria are, and an account of how the decision maker will go about arriving at their decision. "Road maps" of processes and alternatives are valuable information for citizens, as are statements about the timing of various events and who will speak when. When decisions are made, some explanation of the supporting law and interpretation of the evidence, even if this runs contrary to the citizen's own views, is needed, since this will make the underlying rule clearer and future decisions more predictable.

## The timing and practice of fair processes

The "big three" elements of fair process – voice, respect, and explanation – can and probably should be combined into an overarching fair process in the design and administration of regulations, and there are studies and policy innovations that suggest how exactly this can be done most successfully. First, there is research that shows that in perceived fairness, first impressions are very important. Studies (e.g., Lind, Kray, and Thompson, 2001) suggest that if a person's first encounter with a process or an authority seems fair, that early experience will colour the interpretation given to later experiences and encounters.

There is a reason that early experiences exert especially strong impacts on the ultimate perceptions of fairness engendered by an encounter with government regulation. It was argued that for most citizens, any such

encounter places them in a social setting well outside their day-to-day experience. Psychological research shows that uncertainty makes people particularly attentive to signs of fair or unfair treatment. Citizens unfamiliar with how administrative processes work may well be uncertain at the outset of any encounter with government about whether they will be treated fairly. As they process information in what is for them a novel context, any procedure or behaviour that appears to carry information about fairness will be seized upon and used to guide their own behaviour throughout the encounter. Subsequent events or experiences can have entirely different meaning depending on whether they are encountered with a pre-judgement of fairness or unfairness. For example, an unexpected wait to see an agency official might be viewed as indicating disrespect for the citizen if the person's early treatment by the official seemed unfair, while the same wait might be viewed as an entirely understandable consequence of careful processing of others' cases if previous interactions with the official had included voice, respect, and explanation.

## Competence and integrity: Foundations of trustworthy regulation

A final consideration lies at the intersection of objective and subjective fairness. A desire to make sure that the people who administer laws and regulations do so with integrity and competence drives a great deal of legal and regulatory process. Of course, citizens are not blind to the possibility of corruption or incompetence, and they factor any evidence of either of these into their perceptions of the fairness of their experiences. (See Tyler, Goff and MacCoun, 2015 for a discussion of how these factors matter in police-citizen interactions.) Evidence of corruption is, of course, a strong barrier to any feeling of fair treatment. In a cross-national study of reactions to the self-serving behaviour of managers in business settings, Janson et al. (2008) found that the belief that a manager was concerned with serving his or her own interests negated any beneficial effect of subsequent fairness-oriented actions on the part of that manager. Janson et al. (2008) refer to the perception of self-serving versus self-sacrificing behaviour as a psychological "heuristic" or shortcut to trusting or distrusting that person.

If early on in an encounter an official or authority seems to be interested in his or her personal gain, people quickly come to distrust that person and it is difficult to change that initial reaction. If on the other hand the official appears at the outset to be willing to make sacrifices for the general good, people's trust in his or her motivations is almost automatic. In either event, early selfish or selfless behaviour can often overwhelm later fair or unfair actions. Interestingly, fairness judgements can block concern about self-interest if fair treatment is encountered first.

The practical lesson from this line of research is that fairness, integrity, and competence should all be part of the citizen's impression from the very beginning. One need only imagine an encounter with an official who demonstrates both integrity and competence while at the same offering the citizen voice and consideration, respect, and explanations to see how these two factors can and should be combined with fairness elements to provide a positive experience with government. Similarly, one need only imagine an encounter with an official who seems corrupt, incompetent, or unfair to see how all three factors are needed.

## Conclusion

Almost all OECD countries have built systems to improve the quality of regulations, using evidence and consulting with stakeholders to better understand the impact of planned laws and to reduce red tape (OECD, 2015b). Much of course still needs to be done to properly implement these systems and continuously improve the objective quality of regulations. Yet this is not enough – even when the objective quality of regulations is high, citizens often feel that they are not treated well in interactions with governments in the design, administration and enforcement of regulations, with negative consequences for compliance with regulations and trust in government.

Over the past several decades a great deal of research in psychology and policy studies has demonstrated that when citizens feel fairly treated in their encounters with government agencies, they are more likely to accept and comply with regulatory rules and decisions. In addition, perceptions of fair or unfair treatment have been shown to have a substantial impact on whether citizens trust their government and whether they feel included in society. Costs for society can be high when citizens feel unfairly treated and improvements to enhance fairness can generate substantial savings. For example, in the Netherlands, improvements to deal with complaints in the administration to enhance perceived fairness led to a reduction in the much more costly appeals procedures.

While policy analyses often assume that a citizen's acceptance of any given regulation is determined largely by their attitudes or ideology about the legitimacy of the government and whether they benefit personally from the regulation, research shows that feelings of fair or unfair treatment often exert as much influence on citizens' acceptance of and compliance with regulations. The conventional wisdom is that those who are advantaged by a regulation will accept it while those who are disadvantaged by the regulation will reject it. In study after study, however, citizens' acceptance of laws,

regulations, and government decisions has been found to be strongly affected by whether the citizen believes that he or she received fair treatment in personal encounters with government. Some citizens will even prefer negative consequences for themselves, such as financial penalties over compliance, if they perceive that they have been treated unfairly (Lunn, 2014).

The impact of fairness judgements extends to general attitudes about government – numerous studies have shown that perceived fairness of treatment in interactions with government agencies enhances trust in government and acceptance of the government's legitimacy. Thus, regulations seen as fairly administered increase legitimacy and trust in government, which in turn further improves co-operation with regulatory processes.

Three factors have been found to exert especially strong effects on whether citizens feel that they have been treated fairly or unfairly in their encounters with government. The first of these factors is "voice" – the belief that one has had an opportunity to present one's case and that decision makers have considered one's views. When voice is denied, both the process and the ultimate decision are likely to be seen as unfair. The second factor is whether the citizen feels they were treated with respect and dignity in the course of an encounter with government. When citizens feel that they have been treated with respect in encounters with regulatory agencies or officials, they tend to see the process as fair; when they feel they have been treated disrespectfully, they tend to see the process as unfair. The third is providing explanations to inform the citizen's understanding of the process and outcome.

Research and theory in the study of perceived fairness suggest that these factors – and the fairness judgements they foster—have such strong effects because feelings of fair treatment summarise whether the citizen feels included in or excluded from government processes, and this in turn contributes to whether they feel safe responding as co-operative members of the state. This chapter considers existing research on how each of these three factors enhances perceived fairness, with particular attention to how each might be (and has been) implemented in policy contexts.

Trust-building factors (especially respect and explanation) depend not only on formal procedures but also on issues of style and nuances of the behaviour of government agents and officials. To promote perceptions of fair treatment, governments should conduct careful training of officials and ongoing evaluation of how their actions are viewed by citizens and other stakeholders. Changes in process and style can in fact enhance perceptions

of fairness, and the resulting increase in perceived fairness indeed benefits governments and citizens. At the same time, some less successful attempts to enhance perceived fairness in regulatory processes have shown that without careful attention to and monitoring of how regulatory processes are actually enacted, procedural innovations designed to enhance perceived fairness can fail. Monitoring perceived fairness can also provide valuable information for the overall evaluation of the interaction between government and citizens.

Of course *both* the reality of fair and legal treatment *and* the perception of fairness need to be assured. Objective and subjective fairness can work together: studies reviewed here show that by enhancing perceptions of fair treatment, governments can improve the efficiency and objective accuracy of regulatory procedures. Successful programmes to improve subjective justice must be built upon a foundation of objective justice, however: studies on the basic psychology of perceived fairness suggest that attempts to simulate fairness without actually providing objectively fair procedures tend to provoke highly negative reactions when the true nature of the unfair process is discovered.

The knowledge to build procedures and train officials so that people leave personal experiences with government with positive fairness judgements is there, and policy innovations that take advantage of that knowledge are showing great promise. The challenge now is to expand these innovations and to begin to treat perceived fairness as one of the criteria of good regulatory policy. This will engender both immediate benefits for the regulatory process and more general benefits for trust in government and for a cohesive society.

## Note

1 Country by country data are available online at www.oecd.org/gov/regulatory-policy/indicators-regulatory-policy-and-governance.htm.

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# *Chapter 5*

# Trust and budgeting: Meeting the challenge of competence and values

*Ronnie Downes (OECD) and Scherie Nicol (OECD)*

*The use of public money is another important domain in which trust can be easily lost. A government's budget is a political appeal to voters; a statement of its programme ambitions; an opportunity for citizens, via parliaments, to express preferences and concerns; a ritual for legitimising public expenditure; and an accounting of past decisions and actions. Governments need to ensure that the budget decision-making process itself is open and provides for an inclusive, participative and realistic debate on budgetary choices, not simply provide access to information once spending decisions have been made. This chapter looks at current tools to promote fiscal transparency such as citizen's budgets, which present key public finance information in a way accessible to a general audience, and independent bodies responsible for oversight of fiscal policy (independent fiscal institutions or IFIs).*

## Introduction: How trust affects policy outcomes in budgeting

In each country, the relationship between citizens and the institutions of government is shaped by the various pillars of modern public governance: transparency, integrity, openness, participation, accountability, and a strategic approach to planning and achieving national objectives. Good budgeting is supported by, and in turn supports, these various pillars and, as recognised within the OECD Recommendation of the Council on Budgetary Governance: "Budgeting is thus an essential keystone in the architecture of trust between states and their citizens" (OECD, 2015a).

A government's budget is a political appeal to voters, a statement of its programme ambitions, a guide to economic policy, a means of organising the work and activities of public agencies, a communication link within government, an opportunity for parliament to express its preferences and concerns, a ritual for legitimising public expenditure, an accounting of past decisions and actions, and a means of financing ongoing programmes and operations. Budgets can be seen as contracts that establish rights, obligations and expectations. Every fiscal contract is inherently a political covenant in which citizens entrust the government with authority to manage the public finances, and the government commits to do so in a prudent manner to improve public welfare. It is this trust that rationalises paying taxes today in expectation of benefits to be received 30-50 years hence.

The global financial crisis blew public finances off course, with the situation exacerbated in many OECD countries by the fact that they went into the crisis running a fiscal deficit. This has severely damaged fiscal contracts and resulted in citizens having reduced trust in the ability of governments to manage public finances in a sensible and sustainable way. Repairing the budget contract is a key challenge facing contemporary governments. Similar issues have since arisen in country after country. What institutions can help oversee fiscal policy exercised by government, to ensure that it will be resilient to fiscal shocks and be in the best interests of citizens in the long term? How can a government involve citizens in decision making to enhance trust in the integrity of public policy making? How can the government show citizens that it is using public funds effectively?

Over recent years, a number of reforms have been introduced to improve budgetary governance and the level of trust between citizens and the institutions of government. This is in recognition that good budgetary governance delivers more effective resource allocation and greater long-term economic stability, which can help rebuild citizens' trust in government.

## Budgeting and the different dimensions of trust

Before turning to the specific ways in which budgeting can help to underpin trust in government, it may be useful to specify the various dimensions of trust that are relevant to budgeting and the budget process. Each of these distinct dimensions calls for a specific response.

- *Trust is about making reasonable pre-election promises* – This requires political parties to put forward reasonable and coherent policies that have been costed objectively, or indeed independently.
- *Trust is about citizens having a voice in the budget process* – This requires ensuring that budget information is transparent and accessible to non-specialists, so that the public and civil society organisations can analyse how public money is being used and engage in the debate about budgetary choices and trade-offs.
- *Trust is about understanding how money is being used* – This requires openness with the public about the goals of the government and how and where resources are being allocated in order to fulfil them. Policy evaluation and performance assessment can also be undertaken to assess the impacts and outcomes of public expenditure and provide evidence to citizens that resources are being allocated effectively and efficiently.
- *Trust is about knowing that the country's future is being looked after* – This requires mechanisms and oversight arrangements to ensure that public finances are steered on a safe and prudent course that will avoid "boom and bust" and its negative repercussions for people's lives. It also requires strategies to protect public finances from fiscal risks and to fund long-term costs such as pension and health care costs, so that the financial impacts of demographic changes are dealt with in a fair and sustainable manner.
- *Trust is about having confidence in the integrity and quality of the public financial management process* – This requires full standardised professional accounting for public funds, budget transparency, and strong oversight institutions to guarantee integrity in the use of public funds and the quality of budget execution.

## Key sources of mistrust

Good budgetary governance is essential to help ensure trust between citizens and the state. By the same token, poor budgetary governance can

contribute to mistrust between citizens and the institutions of government. In particular, common sources of mistrust are:

- a lack of fiscal transparency and openness
- perceptions of poor value for money
- a lack of fiscal discipline.

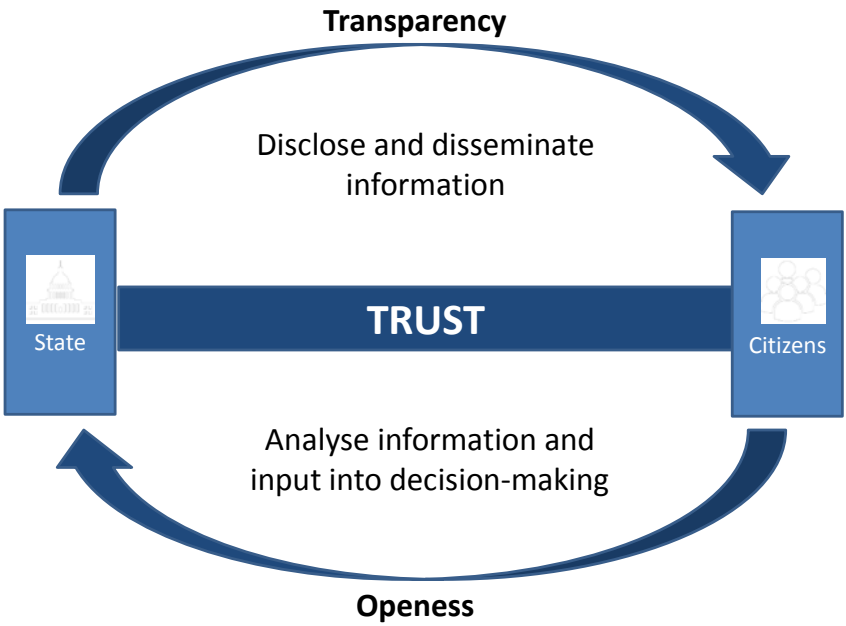
### *A lack of fiscal transparency and openness*

Governments should ensure that budget documents and data are open, transparent and accessible (OECD Recommendation on Budgetary Governance, Principle 4). The budget is the single most important policy document of governments, where policy objectives are reconciled and implemented in concrete terms. Where there is a lack of fiscal transparency, it may not be possible for citizens and oversight institutions to analyse the budget or monitor its implementation. In addition, there is increased potential for misuse or misappropriation of funds. Opaqueness of operations and perceptions of corruption lie at the heart of citizens' distrust of their governments.

Governments should also go beyond transparency of information to ensure that the budget decision-making process itself is open, providing for an inclusive, participative and realistic debate on budgetary choices (OECD Recommendation on Budgetary Governance, Principle 5). Opening up budgets is a first step toward democratising the budget process and giving citizens a say in policy formulation and resource allocation. Citizens have a large stake in their country's fiscal contract, but they rarely have a direct voice in setting its terms. The inherent fragility of fiscal contracts should impel governments to open the process to citizen participation, in a responsible manner that invites citizens to engage with the sensitive choices and trade-offs that are inherent in budgeting. Where the budget decision making is open, the possibility for pork barrel politics and corruption – which also lead to a break-down of trust between citizens and the state – can be minimised.

Figure 5.1 illustrates how transparency and openness can turn budgets into tools that empower citizens to input into decision making, thereby building trust between citizens and state.

Figure 5.1. **The importance of transparency and openness in building trust**




*Source:* Author's own work.

### *Perceptions of poor value for money*

Citizens often judge democratic governments on the basis of their "policy performance" (i.e. their ability to deliver tangible positive outcomes for society). Governments that ensure that performance, evaluation and value for money are integral to the budget process can help improve citizens' understanding of not just what is being spent, but also the extent to which public services are being delivered efficiently (OECD Recommendation on Budgetary Governance, Principle 8). This information can enrich public debates on how government money is raised and spent, and help guide more effective resource allocation. However, where performance information is not routinely collected or fed into the resource allocation process, there can be a lack of understanding about whether or not there is value for money in the administration and delivery of the

government's programme. Perceptions of poor value for money can undermine and destroy trust.

### *A lack of fiscal discipline*

Governments should manage budgets within clear, credible and predictable limits for fiscal policy (OECD Recommendation on Budgetary Governance, Principle 1). However, experience across a number of OECD countries indicates that governments often face challenges exercising fiscal discipline and balancing their budget. A number of factors create adverse incentives for governments to overspend, under-tax, and/or borrow excessively – all root causes of fiscal imbalances.

One factor is budget myopia. Short political cycles mean that the costs of indiscipline can be transferred to future governments, and so the incentives for long-term fiscal responsibility are weakened. In addition, governments have little incentive to save a windfall in revenues. Therefore, political leaders have incentive to respond to today's voters by promoting short-sighted, opportunistic policies at the expense of tomorrow's results, even when the likely result is future austerity. Another factor is the moral hazard created by a history of government bailouts. In such cases, the incentives for fiscal responsibility are weakened, as the costs of indiscipline are again transferred to future generations. A further factor is the pressure that governments face in providing essential public goods and services. A disruption to their provision is likely to have strong political and social consequences, and so pressures to provide the services even when there are insufficient funds, and therefore run fiscal deficits, can mount. Non-transparent accounting can also undermine the ability of markets to assess government finances. Governments may also have access to privileged channels of financing. This means that deficits and debts can mount to unsustainable levels before the governments are shut off from market financing.

All of the above-mentioned factors can challenge the government's ability to exercise fiscal discipline over their political term, leading to the phenomenon called a "deficit bias" – the tendency of governments to run a persistent fiscal deficit. This, together with the fiscal challenges arising from the global financial crisis, means that governments in a number of OECD countries continue to face challenges in managing their budgets in a sustainable way. This has been one of the factors that has contributed to decreasing levels of trust that citizens have in their governments.

## The impact of low trust on budgeting

Low levels of trust can have a detrimental impact on the ability of governments to exercise good budgetary governance. In particular:

- *Low trust can harm revenue generation* – Citizens may be less likely to pay taxes if they do not have confidence that the money will be spent wisely and responsibly.
- *Low trust can make it harder for governments to implement policy* – Citizens may in general be less supportive of government decisions emerging from a non-transparent budget process. They also may not have confidence that the government will look after their future. That would make it more difficult for governments to implement longer-term policy changes necessary for the sustainability of public finances, such as those relating to pension and health care costs and climate change.

## Identifying good practices

The following section highlights some of the policy tools that are in use across OECD member countries in order to promote fiscal transparency and openness, value for money and fiscal discipline, and therefore mitigate the loss of trust between citizens and state.

### *Fiscal transparency and openness*

#### *Policy tool: Improve budget transparency*

The *OECD Best Practices for Budget Transparency* (2002) are designed as a reference tool for governments to use in order to increase the degree of budget transparency in their respective countries.

Budget transparency is defined as the full disclosure of all relevant fiscal information in a timely and systematic manner. It should be borne in mind that dumping large amounts of raw data on line will not increase trust, but pulling together data to create stories that increase the knowledge of citizens on how money is being spent could do so. This implies that the institutions of government need to establish processes for cleaning and preparing data, and to develop tools (including data visualisation tools) to allow the public to understand the budget in greater detail.

One practice highlighted in the Best Practices is that "The Finance Ministry should actively promote an understanding of the budget process by

individual citizens and non-governmental organisations" (OECD, 2002). One of the tools that can be used by governments to help achieve this goal is the Citizen's Budget. Typically, a Citizen's Budget presents key public finance information in a way that makes it accessible to a general audience. It may be written in more accessible language than the standard budget documents, and incorporate visual elements to help non-specialist readers understand the information. A number of OECD countries have produced a Citizen's Budget, including, for example, France, Korea, Mexico, New Zealand, Norway, Sweden and the United Kingdom. More information on Mexico's Citizen's Budget and other efforts by that country to improve budget transparency in that country are highlighted in Box 5.1.

Box 5.1. **Budget transparency in Mexico**

The Mexican Ministry of Finance has created a new portal relating to budget transparency (www.transparenciapresupuestaria.gob.mx/). It contains information on the performance system, indicators, progress towards targets and programme evaluations. For the first time there are also open data in relation to federation expenditure for 2015. Over 2 400 files can be downloaded and used in open data format. There are also other thematic portals, such as one for open public investment that provides information on all the investment programmes funded by the 2015 budget.

In addition, Mexico provides a clear, simple "Citizen's Budget" every year, so that ordinary citizens can understand how much money the government is raising, where it is coming from, and how it is being spent. Mexico has also used "comic-book-style" graphics to make the information even more accessible. Other publications, such as the proposal for expenditure and the 2013 public accounts, are also provided in easy language for citizens to access.

*Source*: OECD, 2015*b*.

## *Policy tool: Participative budgeting*

Participative budgeting facilitates fiscal openness and has grown in popularity over recent decades. It allows the participation of citizens in the conception and/or allocation of public finances. An OECD survey on government efforts to promote open and inclusive policy making in 25 countries (2009) found that close to half of the respondents saw open and inclusive policy making as "important" or "very important" in increasing citizens' trust (43%). Empirical evidence also suggests that public participation in budgeting has a positive impact on trust and confidence. For example, PytlikZillig et al. (2012) looked at participatory budgeting

discussions in Lincoln, Nebraska where residents were invited to provide input to city officials on budget decision making. Feedback from residents indicates the public welcomes the invitation to participate in governance and, in addition, the members of the public who participate in Lincoln's budgeting input activities have high levels of trust and confidence in government. An example of participative budgeting in Ireland is provided in Box 5.2.

Box 5.2. **Participative budgeting in Ireland**

In 2015, the government instituted a new process of National Economic Dialogue (NED), a formalised process of consultation and debate with societal interests to enhance the whole-of-year budget development process. The NED was conducted on 16-17 July 2015: the mid-year timing was chosen so that "the discussions during the Dialogue about where our resources should best be allocated, and how to accommodate the many demands and pressures for increased resources, can then inform the work of the government in deciding on Budget measures and the legislature in considering the Budget later in the year. By launching the NED, the government has indicated its willingness to strengthen transparent stakeholder participation in the *ex ante* budget phase. The NED process was broadly perceived as a success, and the NED was re-convened in June 2016 by the newly appointed government.

*Source*: Downes and Nicol, 2016.

## *Value for money*

Governments need to evaluate their own performance and implement systems to provide reassurance that resources are being allocated effectively and efficiently. This allows citizens to assess whether or not there is value for money in the delivery of the government's programme.

### *Policy tool: Performance-related budgeting*

Performance-related budgeting is a system that relates funds allocated to measurable results. Governments can use information on policy impact to inform future budget decisions, ensuring that resources are allocated to the policy areas where there is the greatest need and impact. The purpose is to improve the effectiveness and efficiency of resource allocation. A number of OECD countries have implemented performance-related budgeting into their budgetary governance framework, including the Netherlands, Austria and the United Kingdom.

Box 5.3. **A trust-building performance management system: The example of Austria**

Since 2013 public administration at federal level in Austria is managed according to the principle of outcome orientation and outcome-oriented impact assessment. In other words, management is based on contributions towards achieving objectives in connection with solving societal problems.

The state is responsible for a wide variety of services, ranging from key public sector tasks such as providing education and health care or ensuring equal opportunities, legal certainty and social security to protect consumers and workers. As budgets are tight, public funds must be optimally allocated in order to meet people's needs and maintain the present high level of service in the long term.

This is where outcome orientation comes in. Federal budgets show the societal effects targeted by ministries and other public bodies, as well as how to achieve these and measure progress. With this management model, members of parliament are better informed when debating the budget, and citizens gain better insight into the government's work.

*Source:* Austrian Federal Chancellery.

## *Fiscal discipline*

### *Policy tool: Fiscal rules*

As noted earlier, the global financial crisis seriously derailed public finances and significantly reduced public trust in the institutions of government. Part of the problem was that many OECD countries were running a fiscal deficit just prior to the crisis. (In aggregate, OECD countries were running a fiscal deficit of -1.5% of GDP just prior to the crisis in 2007.) With many OECD countries still showing a fiscal deficit, the public debt position continues to worsen. The global financial crisis has spurred a rethink in relation to fiscal rules and fiscal resilience in many OECD countries. Since the crisis, a number of governments have introduced new fiscal rules, or tightened or simplified existing fiscal rules,[1] as a mechanism to ensure that public finances are managed in a more sustainable manner. Switzerland's "debt brake" constitutional rule has proved a model for some OECD countries, notably Germany (see Box 5.4).

Box 5.4. **The debt brake rule in Germany**

In 2009, the proposal to replace the golden rule with a debt brake rule was approved by the German Parliament and enshrined in the constitution. The objectives were to improve the sustainability of national finances, with strengthened fiscal co-ordination among federal and sub-national governments while providing flexibility to deal with cyclical challenges. The core elements of the rule are: that the federal government must balance its budget in normal circumstances; that cyclical deficits and cyclical surpluses must be symmetrical over the economic cycle; and that additional borrowing is only allowed in dealing with natural disasters and exceptional emergencies beyond state control.

*Source*: OECD, 2015*c*.

OECD members within the euro currency zone are subject to economic governance rules that have been significantly tightened over the period of the crisis, including under the European Fiscal Compact (to which Denmark, a non-euro zone EU member, has also subscribed). At present, half of the OECD countries regard themselves as bound by fiscal rules. In addition, some of those OECD countries that do not have definite fiscal rules still have legal frameworks requiring clarity about fiscal objectives. This broad model is also applied in Australia, Canada and New Zealand (OECD, 2015b). In addition, some governments have put mechanisms in place to identify and manage fiscal risks, such as contingent liabilities.

Fiscal rules cannot be a conduit to fiscal discipline if political commitment is lacking, nor are they the only solution to improving the incentive structure faced by local politicians. However, under certain circumstances, these rules can provide a useful policy framework. A number of conditions need to be met to ensure effective implementation of fiscal rules. These include: i) a robust legal basis; ii) a clear definition of institutional responsibilities; iii) transparent accounting, with timely and comprehensive reporting of sub-national government operations; iv) firm and non-discriminatory enforcement of rules and sanctions; and v) perception by local taxpayers of the benefits of their government's compliance with rules.

### *Policy tool: Rainy day funds*

Balanced-budget rules can be supplemented by mechanisms to promote savings during good times, which can then be made available as a counter-cyclical buffer during bad times. Fiscal rules are often combined with such

"rainy day funds" (RDFs). Box 5.5 provides information on how rainy day funds are used by US states to promote fiscal discipline. From an economic point of view, it is more efficient to save during good times than cut expenditure during bad times. However, strong political pressures tend to discourage saving during upswings. Structural mechanisms such as rainy day funds can enhance the incentives for such prudent counter-cyclical measures.

Box 5.5. **Rainy day funds in the United States**

Following the recession of the early 1980s, several US states introduced measures to address the adverse impact of recessions on local public finances. The number of states with rainy day funds (RDFs) rose sharply, from 12 in 1982 to 38 in 1989, and further to 45 in 1995. The main purpose of RDFs is to smooth public spending during recessions and, possibly, increase public savings over the business cycle. The need to smooth expenditure has increased over time, as the composition of state expenditure has shifted toward non-discretionary spending. (In the early 1960s, about one-quarter of state expenditure was on highways, versus about 45% on public welfare and education; in 2000, these shares had shifted to 8% and 65%, respectively.)

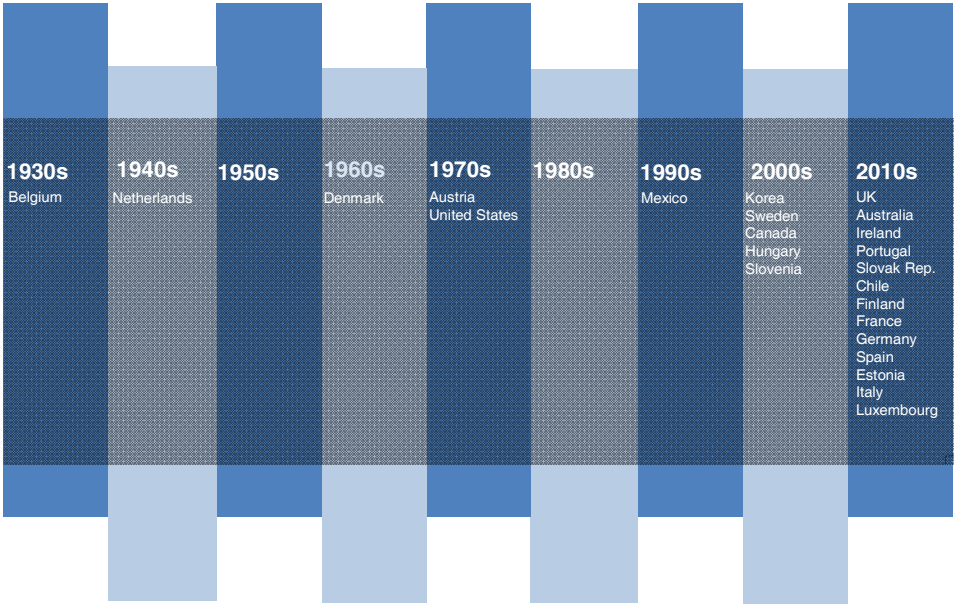
*Source*: Ter-Minassian, 2007.

## *Policy tool: Strong oversight institutions*

Parliaments, supreme audit institutions and independent fiscal institutions are all oversight institutions that, when operating independently and effectively, can help guarantee integrity in the use of public funds and the quality of budget execution, and therefore generate trust in government.

With commitments to sustainable public finances under close scrutiny, policy makers have been searching for new ways to safeguard fiscal discipline and rebuild public trust in their efforts to manage public budgets prudently and transparently. In particular, governments around the world have been setting up independent fiscal institutions (IFIs), which are independent bodies with responsibility for the oversight of fiscal policy. The growing trend in the establishment of IFIs can be seen in Figure 5.2.

Figure 5.2. **The growth of IFIs in the OECD**




*Source:* Author's own work.

IFIs are now considered among the most important innovations in the emerging architecture of public finance management. The remit of these institutions varies across countries but often includes assessments of fiscal plans, fiscal risks, and long-term sustainability. To the extent that fiscal councils promote stronger fiscal discipline, long-term sustainability, transparency and credibility, they may improve the quality of public finance and trust in government. An IMF study found that fiscal councils can promote stronger fiscal discipline as long as they are well designed (Debrun, 2013). The OECD Recommendation of the Council on Principles for Independent Fiscal Institutions (2014) aims to assist countries in designing an effective enabling environment while codifying lessons learned and good practices that are firmly grounded in the experience of practitioners to date. An example of how the Italian Parliamentary Budget Office oversees fiscal policy is provided in Box 5.6.

### Box 5.6. **Oversight of fiscal policy by the Italian Parliamentary Budget Office**

Law No. 243 of 2012 established the Italian Parliamentary Budget Office (PBO) as an "Independent Body for the analysis and monitoring of public finance developments and evaluation of compliance with fiscal rules". The mandate of the PBO stipulates that the office shall perform analysis, audits and assessments of macroeconomic and public finance forecasts; the macroeconomic impact of major legislative measures; public finance developments and compliance with budget rules; the long-term sustainability of public finances; the activation and use of the corrective mechanism and deviations from targets arising from exceptional events; and other matters relating to economics and public finances.

*Source*: von Trapp, Lienert and Wehner, 2016.

In addition to overseeing fiscal policy, some IFIs have responsibility for costing election platforms to help ensure that political parties put forward realistic proposals that have been independently costed. The two IFIs that have responsibility for costing of election platforms are the Netherlands and the Australian parliamentary budget offices.

### Box 5.7. **Costing of election platforms by the Australian Parliamentary Budget Office**

The 1998 Charter of Budget Honesty was introduced to reduce the likelihood of elections being won – or lost – on the basis of poorly costed promises. In the event, the measure did not fully achieve its objectives since both sides misused the system by not providing sufficient time or information for the process to take its course. Following the 2010 federal election, the Australian Labor Party (ALP) entered into an agreement with the Australian Greens and independent members to establish a Parliamentary Budget Office (PBO) to provide independent costings, fiscal analysis and research to all members of the parliament, especially non-government members. Less than three months after its establishment, the first PBO Work Plan for 2012–13 was released on 12 October 2012. Two key priorities were identified: to make the PBO fully operational with the capacity to fulfil its mandate; and to gain the trust of the parliament as a valued source of budget and fiscal policy analysis. In June 2014, the Australian National Audit Office published an independent performance audit of the PBO, titled The Administration of the Parliamentary Budget Office. The audit found that since commencing operation in July 2012, the PBO has effectively undertaken its statutory role and is already well regarded as an authoritative, trusted and independent source of budgetary and fiscal policy analysis.

*Source:* Australian National Audit Office, 2014.

## Conclusion

Good budgeting is an essential keystone in the architecture of trust between states and their citizens. Budgets can be seen as fiscal contracts, establishing expectations in relation to the benefits that will be delivered by the institutions of government that help citizens rationalise paying taxes. Citizens entrust the government with managing public finances effectively and prudently on their behalf, and in their interests.

The global financial crisis badly weakened public finances and resulted in citizens having reduced trust in the ability of governments to manage public finances in a sensible and sustainable way. This mistrust has been exacerbated where there has been a lack of fiscal transparency and openness, perceptions of poor value for money, and a lack of fiscal discipline. Governments are looking for ways to deliver more effective resource allocation and greater long-term economic stability, to repair the damaged fiscal contracts between citizens and the institutions of government.

There are a number of channels through which good budgetary governance can achieve improved trust between citizens and state. Good budgetary governance can ensure that political parties make reasonable pre-election promises; give citizens a voice in the budget process; improve understanding about how public money is being used; protect public finances from risks; and allow everyone to have greater confidence in the integrity and quality of the public financial management process.

OECD member countries are employing a number of policy tools in order to promote fiscal transparency and openness, value for money and fiscal discipline, and thereby mitigate the loss of trust between citizens and state. Leading examples include moves to improve budget transparency (for example, through producing a Citizen's Budget), the participation of citizens in the conception and/or allocation of public finances, the implementation of performance-related budgeting, new (or tightened) fiscal rules as a mechanism to ensure that public finances are managed in a more sustainable manner, and mechanisms to promote savings during good times.

Independent fiscal institutions are another instrument helping to improve budgetary management across OECD countries. These institutions are currently considered among the most important innovations in public finance. The remit of these institutions varies across countries and often includes assessments of fiscal plans, fiscal risks, and long-term sustainability.

Together, these budgetary management instruments are helping to promote stronger fiscal discipline, long-term sustainability, transparency and

credibility. To the extent that they achieve this, they can improve the quality of public finances and rebuild trust in government.

## Note

1 There is a growing analytical case that fiscal rules, which were too complex to be effective in the run-up to the crisis, should in general terms be made simpler and clearer to enhance compliance, rather than be made more complex still.

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# *Chapter 6*

# Open government: How transparency and inclusiveness can reshape public trust

*Craig Matasick (OECD)*

*From law-making to budgeting and service delivery, efforts to embed greater openness send a clear signal of a government's commitment to invest in trust while also improving the quality of the policy decisions made. This chapter discusses the links between openness and trust in public policy. The current move towards concepts of 'open government' and the even more ambitious 'open state' are positive signs that governments are trying to strengthen the dialogue with citizens, even if in some cases this openness can illuminate facts that can generate distrust. Guaranteeing freedom of the media is another sign of an approach to openness that helps to build trust.*

## Introduction

The relationship between trust in public institutions and open government policies goes two ways. First, as a foundation for government legitimacy, trust is an essential ingredient for open and inclusive policy making, given that a wide range of government actions depends on public involvement and buy-in (OECD, 2014a). Conversely, open government practices seek in part to increase levels of public satisfaction with government services, strengthen accountability, and enhance understanding of government processes and results; as such, they play a critical role in helping increase citizen trust. This chapter will explore the second of these causal relationships, focusing in particular on how open government policies to increase transparency and inclusiveness can help create a foundation of trust.

It is important to note that open government principles and practices serve to support both the means of public service provision (how governments provide these services, for example through consulting with citizens, encouraging their active participation, or co-delivery of public services) and the ends (the results and outcomes of services). OECD data have shown that confidence in public institutions is derived from factors beyond the conventional measures of service quality. This suggests that attention should be paid to the "how" as well as the "what" of public services (OECD, 2014b). In other words, good policy design and public service improvement may not be sufficient to restore trust if citizens are suspicious of the policy-making process and perceive the distribution of costs and benefits as unfair (OECD, 2013a).

This chapter will discuss in more detail the links between open government and trust, primarily by reviewing the principles of transparency and inclusiveness, as these have been highlighted by the literature. Also reviewed are relevant data explaining the relationship between open government policies and trust; provide relevant examples; and discuss the path foreword for the OECD's work in this field.

## Exploring the link between open government and trust

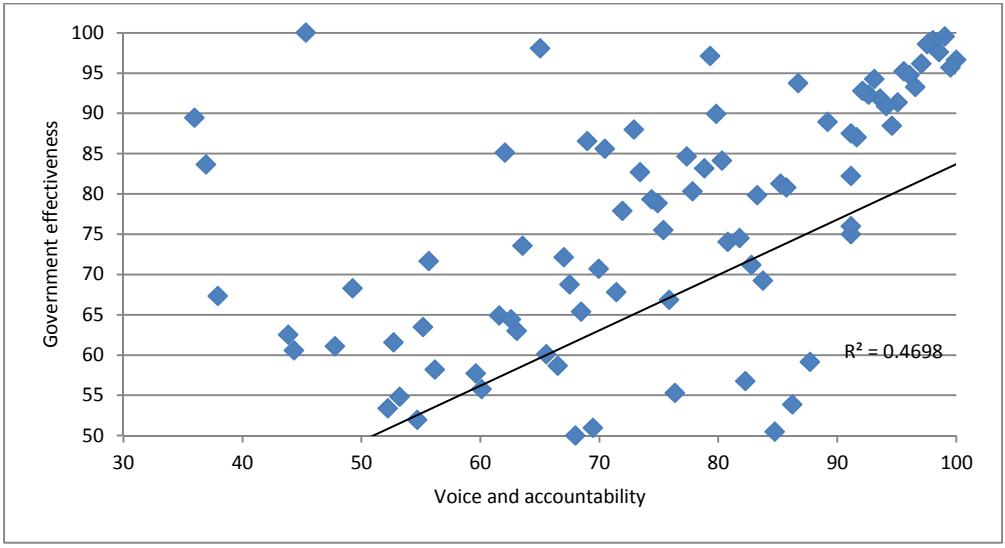
The OECD defines open government as the transparency of government actions, the accessibility of government services and information, and the responsiveness of government to new ideas, demands and needs (OECD, 2005). As such, this definition encompasses both governance *processes* and *outcomes*, as it includes the public's interactions with the government as well as the policies that result from them. This is notable given the role that

trust in government also plays as both a foundation of public sector reforms and as an outcome of reforms, as trust influences public attitudes and decisions (OECD, 2013a). In other words, citizens generally judge democratic governments on the basis of two measures: their "democratic performance" (i.e. the degree to which government decision-making processes live up to democratic principles) and their "policy performance" (i.e. their ability to deliver tangible positive outcomes for society). More transparent and inclusive policy making can contribute to reinforcing both, and open government principles can provide useful insights around which countries can seek to build trust.

This suggests that restoring trust in public institutions requires focusing both on people's *attitudes* toward government policies and the actual *outcomes* of government policies. While the content and effectiveness of public policies, and the quality of public services, is the primary measure around which opinions of governments are formed, the process through which policies are designed and implemented also plays a large role in the public's attitudes toward government's effectiveness (OECD, 2014b).

Evidence suggests that "open government" and perceptions of government effectiveness – the latter one of the key drivers of public trust – are positively related. Among OECD countries, for example, the World Bank's "Voice and Accountability" scores – which capture the perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media – are positively correlated with governance effectiveness (see Figure 6.1). While the data do not necessarily imply causation or specify the direction of support, the findings do reinforce a premise underlining open government: that increasing the ability of citizens to express their opinions, shape public policies and hold their governments accountable ultimately improves the quality of government.

Figure 6.1. **Relationship between voice and accountability and government effectiveness**




*Source:* World Bank (2015), *World Governance Indicators (database)*, World Bank, Washington DC.

Countries are beginning to act upon the link between open government and trust, and apply open government principles to explicitly build trust. In the OECD Open Government Survey, 53% of all survey respondent, and 57% of OECD countries, claimed that one of the key national policy objectives they hope to achieve by implementing open government initiatives is to increase citizens' trust in public institutions (OECD, 2016).

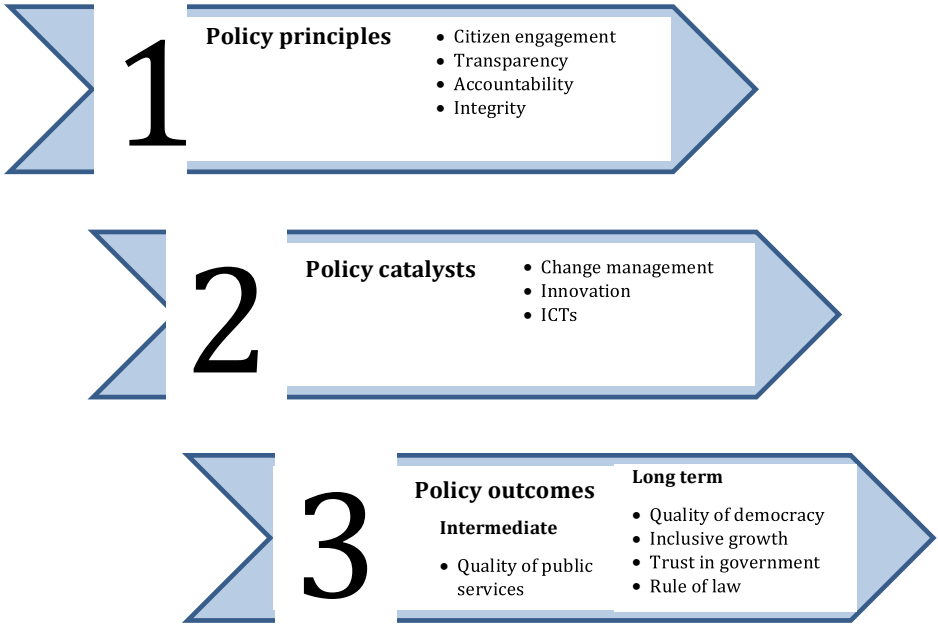
## Transparency and inclusion: The key factors

Transparency and inclusiveness have been identified in OECD literature as the essential means by which open government can help build public trust. Notably, the 2013 OECD *Government at a Glance* report emphasised the role that governments can play in supporting a systemic and comprehensive approach to enhancing transparency – providing relevant, usable information – and inclusiveness, where governments foster interactions with the public to improve accountability and engagement (OECD, 2013a). Furthermore, in the OECD's Background Paper on Trust (OECD, 2015a), transparency and inclusiveness were highlighted as the two drivers that inform and guide government action, in that they help to ensure that relevant information is shared with citizens in an accessible and usable

manner; that actions and plans are transparent; and that a comprehensive approach to public interaction is in place.

Ultimately, more transparent and inclusive policy-making processes can help ensure that policies better reflect citizens' desires and needs, and as such stand out as key "process values" that can enhance government responsiveness and thereby increase public trust. How open government policy principles are transformed via policy catalysts into policy outcomes, including on increasing trust in government, is shown in Figure 6.2. Given that implementing open government reforms around transparency and inclusiveness is a process, these reforms will not have an immediate effect on increasing public trust; nevertheless, they provide guidelines for governments in their efforts to harness the potential benefits of increasing citizen awareness of, and involvement in, public activities.

Figure 6.2. **Open government theory of change**




*Source:* Author's own work.

## *Transparency*

Promoting government transparency by providing access to public sector information, as well as by ensuring the public's ability to use information effectively, are cornerstones of open government. By making public information and data easily available, and by taking advantage of public insights, scrutiny and input, government performance will improve via more effective policies, better regulation and higher-quality services. Transparency also helps the public gain a better understanding of policies and processes. As a result, citizens' trust in government can be expected to increase (OECD, 2012). The critical role that transparency plays in countries' pursuit of broader open government goals is shown in OECD data, which find that 88% of all respondents (and 86% of OECD countries) to the OECD Open Government Survey claimed that one of the key objectives they hope to achieve in implementing open government initiatives is to improve the transparency of the public sector (OECD, forthcoming).

Governments can increase transparency through a number of mechanisms. First, regulation of the right to access information is a critical step to facilitate openness and stakeholder engagement in the policy-making process. Effective legislation, furthermore, is that which provides rights and establishes the institutional framework to help ensure access. This includes measures that mandate the publication of information by public bodies (with the potential exception of some law enforcement, national security and judiciary offices); establish clear limitations on what information should not be made public; require public agencies to establish an information and documentation system to manage public information properly and efficiently; and form oversight offices to settle disputes, and report on the implementation of the law. Box 6.1 describes Brazil's access to information law and procedures, as well as potential lessons concerning the institutional operation and monitoring of the law's implementation.

### Box 6.1. **Co-ordination for the implementation of the Law on Access to Information in the federal government of Brazil**

Brazil's Law on Access to Information (ATI, Law 12 527/2011) regulates the constitutional right that allows citizens to obtain information from the government freely. Brazil's ATI law states that government information is public by default and can only be denied to citizens for specific purposes, such as the protection of taxpayers' information or to preserve national security. The law was passed in 2011 and was implemented in May 2012.

By the end of 2015, more than 300 public organisations (including companies) had made information available on request through an online platform and bureaus created in each of the organisations. Over 334 000 requests have been made and more than 99% of the requests have been answered. It takes an average of 11 days to answer a request, and information is denied less than 10% of the time.

Design – In order to help ensure widespread buy-in, the ATI law was designed with the involvement of central government organisations, as well as with agencies that hold a large amount of confidential documents and those that could expect the bulk of the requests.

Planning – Each public organisation was required to prepare a roadmap to facilitate implementation of the law. The roadmaps established deadlines for tasks, such as nominating the responsible representatives, organising information within the agency, creating internal processes to answer to requests, etc.

Co-ordination and monitoring – The Office of the Comptroller General (CGU) is charged with co-ordinating and monitoring the implementation of the law and sharing good practices. The CGU gathers data on the performance of each organisation and tracks the number of requests and answers, the profile of the requesters, popular topics and other relevant information. Reports on the performance of each organisation are available publicly.Training – Agencies and public companies were offered staff training by the CGU. Courses included procedures, how to use the web platform, and legal issues.

Procedures – The procedures to make and respond to information requests and appeals are detailed in regulations put forth by the federal government. Each government unit was obligated to create a Service of Information to Citizens Office (Serviço de Informação ao Cidadão, or SIC) to manage requests and provide support to citizens. An online platform called e-SIC (sic.gov.br) allows citizens to make information requests to any agency. Citizens can use the platform to make requests and receive answers, make appeals, save their requests and access the database with questions and answers from others. In part due to the flexibility provided by e-SIC, 85% of Brazil's 5 570 municipalities have at least one active information requester.

Box 6.1. **Co-ordination for the implementation of the Law on Access to Information in the federal government of Brazil** *(continued)*

Sponsorship – The ATI law states that each organisation must appoint a high-level official to oversee compliance of the law.

Networking – The CGU organised a network of SICs to exchange experiences and provide continuous training. The CGU also works with civil society organisations to improve its monitoring of the law and encourages third party assessments of its performance.

*Source*: Comptroller General of Brazil.

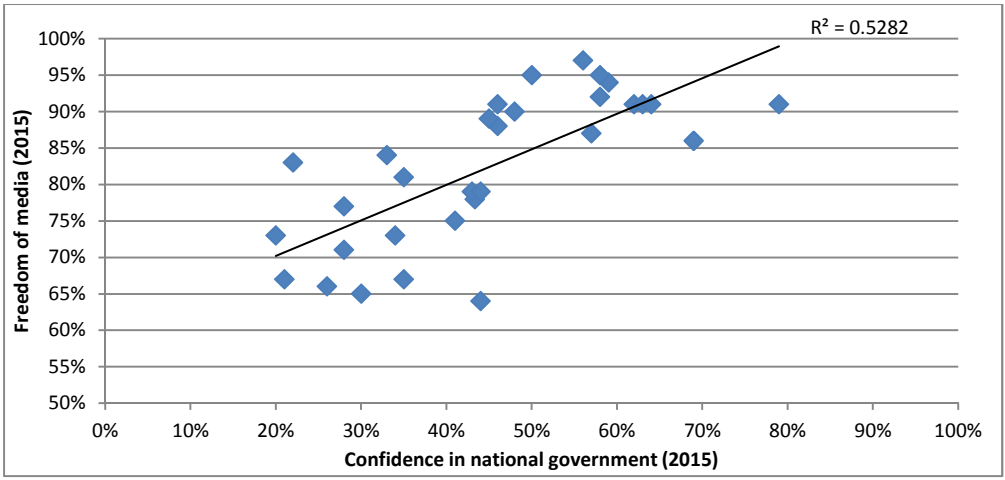
Access to information can also be supported by explicit government efforts to design and implement Open Government Data (OGD) within the broader framework of digital government and transparency policies. OGD refers to the release of data collected and produced by public organisations while performing their tasks, or to data commissioned with public funds. It is released in open formats that allow for their free use, reuse and distribution, subject only to (at most) the requirement that users attribute the data and that they make their work available to be shared (Ubaldi, 2013). The legal basis for OGD can be different from the laws and processes concerning access to information.

Nevertheless, even comprehensive policies, regulation and legislation that guarantees access to public information and that lays out the institutional structure is not sufficient to ensure transparency. Governments must also provide for effective and transparent implementation, for example by establishing and funding the necessary physical and electronic infrastructure so that information is widely accessible. Finally, governments have to consider usability and technical issues that can prohibit access to information. Indeed, a major obstacle to more comprehensive access remains governments' use of old or poor-quality data, or of reporting formats that do not allow data to be reused easily. For example, while publishing budget data is an important step for increasing transparency, challenges remain as to how to ensure that the data are comprehensible and digestible for citizens and their representatives in the legislature. If data cannot be easily interpreted, it is unlikely that "dumping" large amounts of raw data on line will increase trust (OECD, 2015b). Data availability must also be paired with effective whistleblower protection and freedom of the press, so that the insights gained can be shared.

The importance of transparency to increasing citizen confidence and trust is borne out by data, which show that changes in the perceived

transparency of policy making are correlated with changes in trust (OECD, 2013b). At the local level, a study from Seoul, South Korea, showed that assessments of government transparency by users of e-government services are positively associated with participants' trust in the government that provide e-participation programmes (Kim and Lee, 2012). More broadly, Gallup's World Poll data (2015) suggest a positive relationship between media freedom and confidence in government, which is particularly notable when media freedom scores are greater than 50% (see Figure 6.3). Similar to the relationship between voice and accountability scores and government effectiveness, as discussed above, these data suggest that increased freedom and transparency may support the public's confidence in the government and point to the importance of addressing governance process issues of transparency and openness.

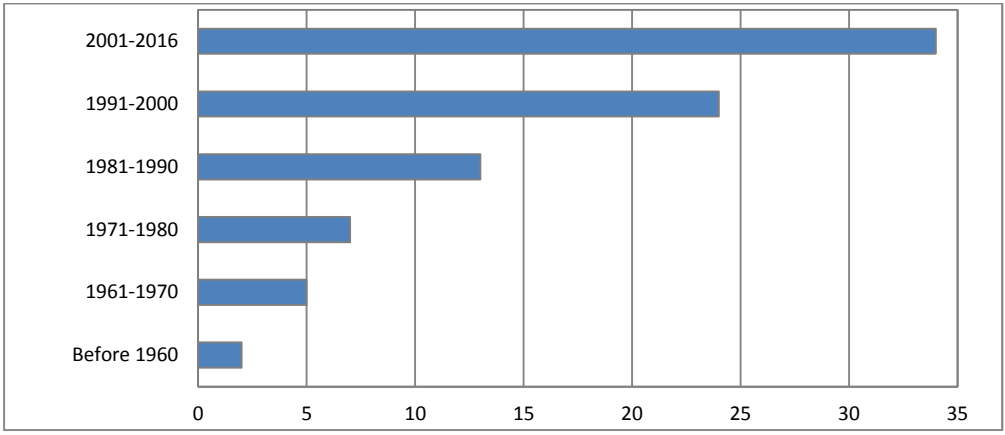
Figure 6.3. **Freedom of media and confidence in national government**




*Source:* Gallup (2015), *Gallup World Poll, 2015*, Gallup, Washington DC, www.gallup.com/services/170945/world-poll.aspx.

Importantly, countries are increasingly supporting some of the key elements that provide the foundation for transparency. For example, see Figure 6.4 for an illustration of how ATI laws have grown within OECD countries over the past half-century.

Figure 6.4. **Number of OECD countries with laws on access to information (1960-2008)**




*Source:* OECD (2009), *Government at a Glance 2009*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264075061-en, updated by the author.

While the relationship between transparency and trust is clear, countries must be mindful of challenges and implementation hazards that can accompany the pursuit of increased transparency. For example, secrecy creates scarcity of information, which can provide the holders of information with an opportunity to either trade or sell information, which can in turn lead to outright corruption (Stiglitz, 2002). More transparency can also expose mistakes as well as corruption. Increased transparency, therefore, does not automatically lead to increased trust. In fact, increased transparency may at first reduce trust, as controversial information or cases of corruption are brought to light. While there is a strong case that increased transparency can play a positive role in increasing trust, it is important to be aware of both the disincentives to transparency and the risk that information comes to light that may reduce public trust in government. As part of a broader strategy to foster openness, however, increasing transparency is a key element of promoting initiatives that will assure the public that the government is open and worthy of their trust.

### *Inclusion and citizen engagement*

A further open government practice that builds trust is a policy-making process that facilitates the participation of all relevant and interested actors, as trust in institutions is driven not only by the substance of policies, but also by the process through which policies are made. The way that policies

are designed and implemented matters to trust, and increasing engagement and inclusion can give governments the chance to tap into wider resources of citizens and civil society to develop better policies and, ultimately, gain more trust (OECD, 2001).

Inclusiveness, in supporting both the process and outcomes of governance, therefore has both intrinsic and functional value. It has an intrinsic value because it leads to a more active citizenry, enhances accountability and encourages debates that lead to broad consensus in support of government initiatives. This has also been referred to as "procedural justice", which notes that the opportunity to defend interests ("voice") is valued by disputants, even if they disagree with the outcome (Traber, 2013).

Second, inclusion gives the public the opportunity to influence the substance of the policy outcome – what can be called the functional value of citizen engagement. Such influence should lead to better policy decisions and design, thereby improving satisfaction and ultimately trust in government. More broadly, involving citizens more widely in deliberation, decision making and action also sends the message that the solutions to public issues belong not only to governments, and decreases the political risks and costs (OECD, 2009). Taken together, the process of citizen and stakeholder engagement in policy making can help legitimate resulting policies, in turn increasing citizen buy-in and overall trust in government (OECD, 2013b).

The role of open government principles in supporting citizen engagement is all the more important given the complexities and scale of governance challenges. Governments will not be able to design effective policy responses, or subsequently strengthen legitimacy and trust, without the input, ideas and insights of a wide variety of citizens. By broadening the base of support, governments can ensure that citizens have a say in the decisions that affect them, as well as reduce the risks associated with ambitious new initiatives. Public engagement therefore merits recognition as another lever of governance as it can be integrated into governance activities across the life cycle of policy development, including design, implementation, monitoring and feedback. Importantly, many public policy issues, particularly those that rely on and utilise open data (such as environmental, health care and public safety issues) – cannot be achieved without the active participation of the public. Public engagement therefore is not just desirable; it is a condition of effective governance (OECD, 2009).

The OECD defines the relationships between citizens and public administrations in increasing levels of engagement, as described below:

- *Information provision is a one-way relationship* in which the government produces and delivers information to be used by citizens. It covers both "passive" access to information upon citizens' demands and "active" measures by government to disseminate information. Examples include allowing access to public records and developing government websites.
- *Consultation is a two-way relationship* in which citizens provide feedback to the government. While this step requires access to information and depends on citizen participation, governments still define the issues for consultation, set the questions and manage the consultative process. Examples include disseminating public opinion surveys and seeking comments on draft legislation.
- *Active participation is a relationship* based on partnership with the government, in which citizens engage in defining the process and content of policy making. Active participation acknowledges equal standing for citizens in setting the agenda, proposing policy options and shaping the policy dialogue, though responsibility for the final decision or policy formulation rests with the government. Examples include participatory budgeting and citizens' juries (OECD, 2001).

Notably, efforts to increase inclusiveness and promote more direct and responsive relations between citizens and governments often include elements of more than one engagement type. For instance, the Regency of Bojonegoro in Indonesia has put in place weekly public dialogues (see Box 6.2). These provide both information as well as an opportunity for consultation, in that they allow citizens to both ask questions of local government representatives directly while providing the opportunity for public officials to explain their policies and disseminate information and data (OECD, 2016).

### Box 6.2. **Public dialogue and public information in Bojonegoro**

Launched in March 2008, the Public Dialogue and Information programme in the Bojonegoro Regency takes place every Friday and is presided over by the Regent of Bojonegoro. The initiative gives the citizens the opportunity to interact directly with representatives of the local government to address governance or public services issues. The dialogue is open to the public, has an average attendance of 175 people and is simultaneously broadcast on radio. Citizens can also engage in the process through text messages to which the local government will respond. The Regency of Bojonegoro participates in the national complaint management platform and has its own open data portal. The Regency of Bojonegoro benefits from these weekly meetings to socialise open data on a range of issues, especially using simple visualisation to make data more accessible to citizens lacking data skills.

*Source:* OECD, 2016.

The example of the Citizen Lake Monitoring Network in the United States (see Box 6.3) shows how active participation can in turn increase the provision of public information. Programmes such as these can also be described as "co-production," whereby citizens engage in partnerships with service professionals in the design and delivery of a public service (OECD, 2011).

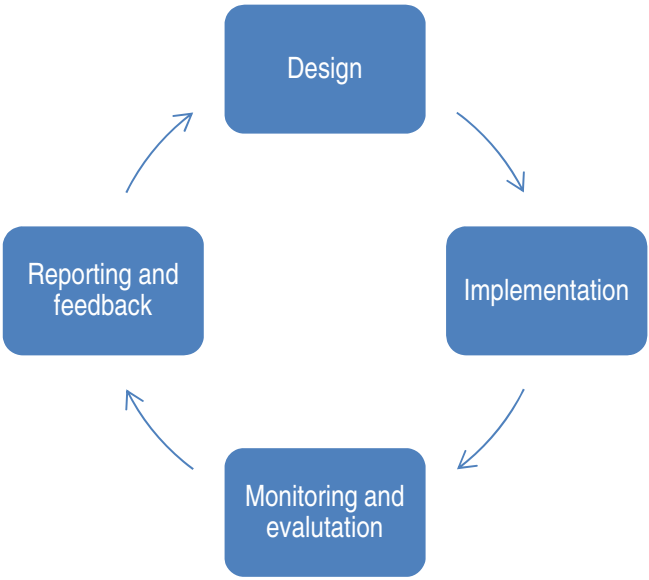
### Box 6.3. **Citizen Lake Monitoring Network (United States)**

The Citizen Lake Monitoring Network utilises over 1 000 citizen volunteers across the state of Wisconsin to support the data collection efforts of the Wisconsin Department of Natural Resources (DNR). Its goals are to collect high-quality data, to educate and empower volunteers, and to share this data and knowledge. Volunteers monitor changes in the lake and measure water quality. The DNR provides all equipment to the volunteers, and training is provided by either DNR or the University of Wisconsin. Volunteers provide their time, expertise, energy, and a willingness to share information with their lake association or other lake residents. The information gathered by the volunteers is used by DNR fisheries and water professionals as well as a wide range of local organisations and stakeholders. Volunteers are now increasingly entering the data directly on line, further reducing costs of data collection; the savings can be used to expand the network. This important environmental service would not be affordable without volunteers, and has become an embedded part of the state's service, supporting and training a network of citizen volunteers.

*Source:* OECD, 2011; http://dnr.wi.gov/lakes/clmn/.

It is also important to note how citizen engagement practices can inform the entire policy cycle of design, implementation, monitoring and evaluation, and reporting and feedback of public policies (Figure 6.5). Engaging citizens, civil society organisations and the private sector as partners in the policy cycle leads to higher user satisfaction and ultimately greater trust. Partnering with citizens at every stage of service planning and delivery is key to ensuring sustainable service quality improvements. Involving citizens too late can have negative effects. By involving citizens early in the policy cycle – as during the preparatory and explorative stages – citizen engagement can be much more productive. Information, consultation and active participation heighten the chances of constructive debate, better policies and more trust in government (OECD, 2001).

Figure 6.5. **Stages of the policy cycle**




*Source:* Author's own work.

Box 6.4 presents a number of factors that should be considered when designing consultation activities and that help prevent implementation hazards around inclusiveness. For example, public hearings and notice-and-comment provisions may only involve small or biased segments of the larger public, and often cannot clearly link input to the decisions made later. More inclusive methods of public engagement might include citizen juries, online polls, participatory budgeting processes and citizen assemblies

(OECD, 2009). Another lesson to prevent cynicism and consultation fatigue is to inform participants on the results and impact of their input. For this to happen, however, consultation and participation should be conceived within an ongoing communication process between government and citizens, which in turn may lead to building trust (OECD, 2003). Ultimately, the issue is not whether people want to participate, but rather how to encourage participation in a manner that is both diverse and not overly influenced by special interest groups (OECD, 2009).

Box 6.4. **Guiding principles for open and inclusive policy making**

1. *Commitment* – Leadership and strong commitment to open and inclusive policy making is needed at all levels – from politicians, senior managers and public officials.
2. *Rights* – Citizens' rights to information, consultation and public participation in policy making and service delivery must be firmly grounded in law or policy. Government obligations to respond to citizens must be clearly stated. Independent oversight arrangements are essential to enforcing these rights.
3. *Clarity* – Objectives for, and limits to, information, consultation and public participation should be well defined from the outset. The roles and responsibilities of all parties must be clear. Government information should be complete, objective, reliable, relevant and easy to find and understand.
4. *Time* – Public engagement should be undertaken as early in the policy process as possible to allow a greater range of solutions and to raise the chances of successful implementation. Adequate time must be available for consultation and participation to be effective.
5. *Inclusion* – All citizens should have equal opportunities and multiple channels to access information, be consulted and participate. Every reasonable effort should be made to engage with as wide a variety of people as possible.
6. *Resources* – Adequate financial, human and technical resources are needed for effective public information, consultation and participation. Government officials must have access to appropriate skills, guidance and training as well as an organisational culture that supports both traditional and online tools.
7. *Co-ordination* – Initiatives to inform, consult and engage civil society should be co-ordinated within and across levels of government to ensure policy coherence, avoid duplication, and reduce the risk of "consultation fatigue." Co-ordination efforts should not stifle initiative and innovation but should leverage the power of knowledge networks and communities of practice within and beyond government.

Box 6.4. **Guiding principles for open and inclusive policy making** *(continued)*

8. *Accountability* – Governments have an obligation to inform participants how they use inputs received through public consultation and participation. Measures to ensure that the policy-making process is open, transparent and amenable to external scrutiny can help increase accountability of, and trust in, government.

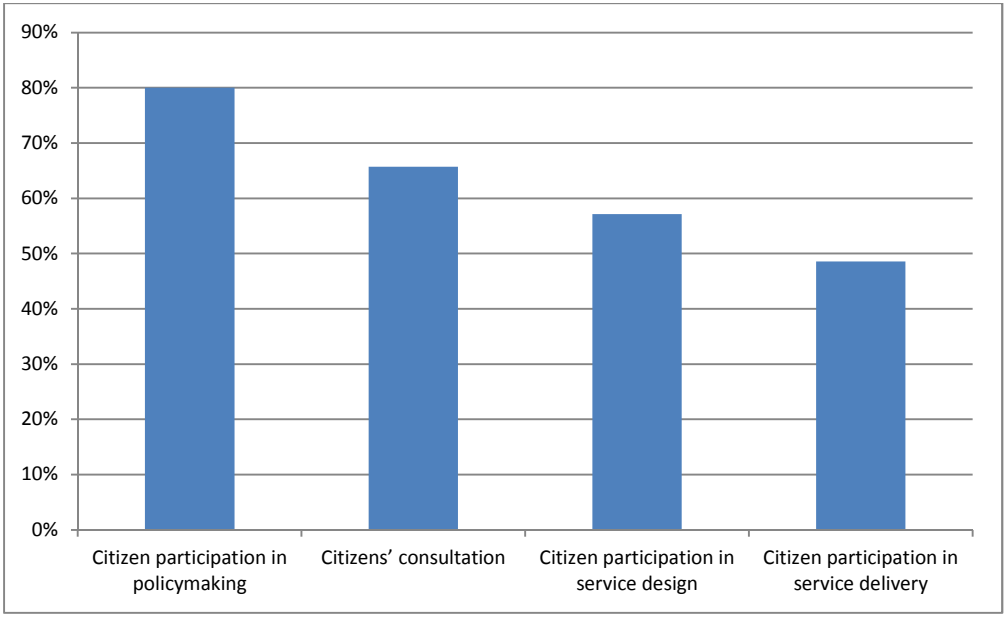
9. *Evaluation* – Governments need to evaluate their own performance. To do so effectively will require efforts to build the demand, capacity, culture and tools for evaluating public participation.

10. *Active citizenship* – Societies benefit from dynamic civil society, and governments can facilitate access to information, encourage participation, raise awareness, strengthen citizens' civic education and skills, and support capacity building among civil society organisations (CSOs). Governments need to explore new roles to effectively support autonomous problem-solving by citizens, CSOs and businesses.

*Source*: OECD, 2001, updated in OECD, 2009.

The benefits of citizen engagement are seen in results that show that public interest groups that participate more in the decision-making process report higher satisfaction with the policy outcome (Traber, 2013). Within the OECD area, data suggest that countries already widely value inclusiveness: the OECD Open Government Survey has shown that 80% of OECD countries engage with citizens via consultation; 66% of member countries pursue elements of citizen participation in policy making; 57% promote citizen participation in service design; and 49% promote citizen participation in service delivery (see Figure 6.6). As countries continue to expand the range of engagement with citizens, particularly moving from consultation to participation in service delivery, we can expect the effects on public trust to improve as well.

Figure 6.6. **Percentage of survey respondents involved in various types of public engagement**




Source: OECD (2016), *Open Government: The Global Context and the Way Forward*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264268104-en.

## Conclusion

Much of the literature that discusses the relationship between open government and trust also notes that open government practices *per se* do not create trust, and that transparency and citizen engagement are necessary but not sufficient principles to build trust (Bouckaert, 2012). The causal link between openness and trust is not uniformly positive either, as increased openness can highlight and bring into the open facts that may cause citizens to lose trust, as well as lead to consultation fatigue. At first, reforms may lead only to the intrinsic positives of more openness and greater public accountability, which can in turn elevate the public discourse and public debate. Over time, this can lead to more responsiveness due to greater awareness of citizens' needs and expectations, which can ultimately build trust in government and public institutions (OECD, 2009).

Much like the path to increased trust, the open government principles of transparency and inclusiveness can also be best understood as a

comprehensive process. Efforts to embed greater openness send a clear signal of a government's commitment to invest in trust while also having a positive impact on the quality of the policy decisions made (OECD, 2013b). Moving forward, the question will not be simply whether governments should pursue reforms to expand openness, transparency and inclusiveness, but rather how to balance and prioritise transparency and inclusive policies throughout the policy life cycle and at all levels of government in such a way that increases public trust. While the intrinsic value of transparency and participation is widely supported, the OECD will continue to focus on identifying the specific causal links and reforms that support both open government practices and increased public trust.

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# *Chapter 7*

# Who earns the trust of citizens and why: Experiences from the private sector

*Bill Below (OECD)*

*A recurring theme of the report is the close parallel between what public institutions are starting to do today to build trust, and the ways that private companies routinely use trust to attract and retain customers, through deliberate and well-thought out "trust strategies". This chapter uses two case studies – e-commerce and autonomous cars – to illustrate how the private sector builds trust. Gaining the trust of society is recognised as one of the main hurdles to wider adoption of any new technology. For example, carmakers across the world are working intensively with users to earn trust through direct experience with driverless cars. Trust is essentially about inferring future behaviour or events despite incomplete information. Most people have already taken this step with e-commerce and, according to many experts, will soon do the same for driverless cars.*

Trust is a multi-billion dollar headache for companies. With billions of dollars of potential revenues at stake, enterprises invest substantial amounts of money to earn consumer trust. What are the strategies employed by the private sector, and what can the public sector learn from it? This chapter looks briefly at definitions of trust as they relate to real-world economic and social interactions, and then examines trust challenges and strategies in two illustrative situations.

## Why we trust, whom we trust

With regard to public services, regulations, and other subjects of citizen-government interaction, there is often no alternative source for these goods or services. They are public and usually provided in a monopolistic manner by a public institution (though this is changing in many areas, such as education or health). Low trust, as has been discussed earlier in this report, affects outcomes and increases costs. But the majority of citizens still need to interact with government. In most situations, this is not the case for interactions between citizens and businesses. If a citizen, as customer, does not trust an enterprise, they look elsewhere for the same service and the enterprise loses a client. Repeat the operation too many times, and the enterprise goes bankrupt. As such, gaining and retaining trust is a commercial imperative. Businesses, particularly large corporations, are highly skilled at understanding and reacting to the complex motivations and reasoning that make customers trust one company more than another.

There are numerous research reports and surveys that document the different behaviour of consumers towards companies that they either trust or do not trust. These tend to show behaviour by customers who reward a trusted company and penalise a less trusted one in a significant and quantifiable way. According to the Edelman Barometer 2016, almost 60% of respondents had recommended a brand to friends and 75% had made a purchase on the basis of a friend's recommendation. Multiplied across global markets, these trust-based recommendations are vital to any company's long-term profitability.

Figure 7.1. **Percent who engage in each behaviour based on their level of trust in a company**

*Source*: Edelman (2016), Edelman Trust Barometer, www.edelman.com/insights/intellectual-property/2016-edelman-trust-barometer/.

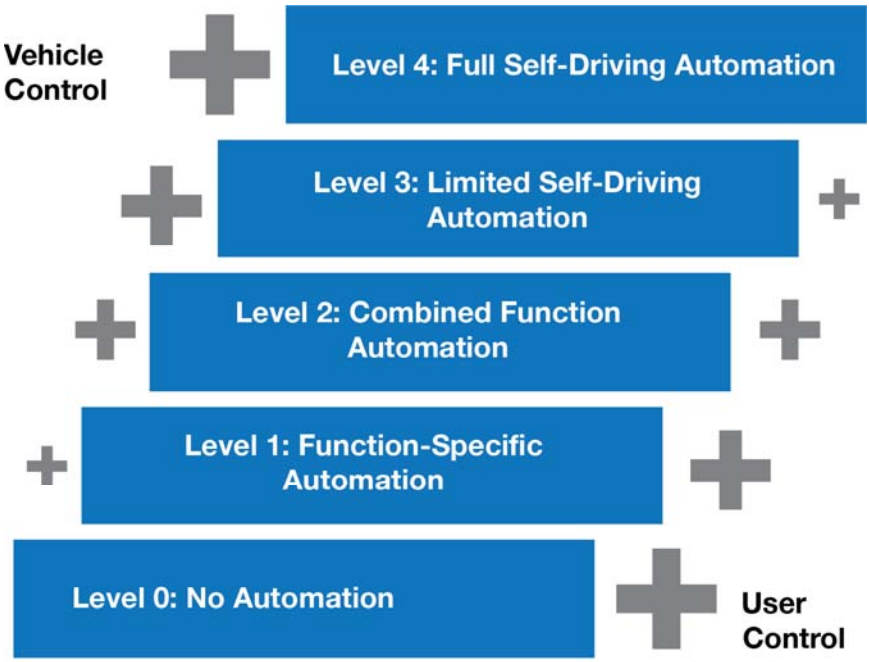
One way of looking at trust is as an emotional substitution in which the risk and doubt that accompany the choice of agent for a specific need is conditioned by optimism that the outcome is guaranteed, hence making the decision or investment easier to make. In this way, trust may fulfil a role of taking some issues off the board and establishing them as resolved. It has the advantage of attenuating certain options while highlighting others as a beneficial course of action. Thus, trust "expands people's capacity to relate successfully to a world whose complexity, in reality, is far greater than we are capable of taking in" (Nissenbaum, 2001). This is related to our need to be able to predict and understand the motivations of others. That is, the need to trust is derived from the need to believe that others will behave consistently and/or be positively motivated toward us on a consistent basis. Trust, "simplifies and reduces the complex set of expectations that we use to predict how people will behave" (Adams, 2000). From an economic perspective, trust simplifies – and as a result makes doing business cheaper and quicker.

In order to put the discussion of public policy processes of different kinds and their links to trust in a broader context, the following sections will explore trust through two case studies drawn from the private sector. These examples – both well known and high profile – illustrate the steps that any organisation, whether public or private, needs to take in order to build and retain trust.

## How we *will* learn to trust driverless cars – Case Study 1

By many accounts, we are on the cusp of a new era. Boston Consulting Group expects the autonomous vehicle (AV) market to reach a value of USD 42 billion by 2025. Ford, Volkswagen, General Motors, BMW, Toyota, Audi, Nissan, Jaguar, Tesla and others have all announced the launch of fully autonomous cars by about 2020 or earlier.[1] Yet, the very notion of a self-driving car requires trust on a number of levels. We allow technology to "take over" regularly in our lives, from devices as simple as an elevator or escalator to automated airport rail systems, subway systems and even amusement park rides. However, trusting our lives to a device that must make life and death decisions with near-perfect accuracy in an unpredictable world and at high speeds represents a quantum leap in the trust we must lend to technology. Of course, "drivers" of AVs are not the only ones concerned. Property owners, bicycle riders, pedestrians, and all other users of public roads will need trust to coexist with this new technology.

Figure 7.2. **The four automation levels of self-driving cars**




Source: US Department of Transportation

## *Fear factors*

In a recent AAA survey, three out of four U.S. drivers said they would be "afraid" to ride in a self-driving car, while just one in five drivers said they would actually *trust* being driven by a driverless vehicle. But those who have at least some automatic features in their vehicles such as automatic emergency braking or adaptive cruise control were more likely to trust such semi-autonomous features than drivers without experience of the technologies. The AAA survey gives a glimpse into the mindset of US drivers who have not yet experienced AV technology first-hand. The AV industry is now engaged in a crucial and expensive campaign to build trust.

While the unknown is a trust-killer, our instincts allow us to bridge information gaps. Separate studies conducted by Volkswagen and the US Department of Transportation (DOT) demonstrated that drivers experiencing autonomous driving on a test track (or who were led to believe they were experiencing autonomously driven cars in the case of the Volkswagen study) adapted surprisingly rapidly. In the DOT study, the transformation sometimes took only 15 minutes.[2] Volkswagen summarised their own results:

"People developed a sense of trust in the vehicle very quickly. Even though they usually had a prior sense of distrust, people's minds quickly changed after having a short positive experience with the technology."[3]

The DOT study noted: "Overall, participants greatly trusted the capabilities of the automated systems. Although this trust is essential for widespread adoption, participants were also observed prioritizing non-driving activities over the operation of the vehicle and disregarding TORs (Take Over Requests) when they were presented." Speaking about recent tests in a self-driving Audi A7, a VW test engineer stated: "The first three minutes you're thinking, 'This is crazy, this is the future!' Then you get bored."[4]

Google, in their own tests, allowed some employees to use self-driving cars for their daily commute. With video cameras focused on the drivers, what Google researchers saw was alarming. Namely, drivers were distracted, bored and some even fell asleep – a disconcerting sight to other drivers on the road.

When participants experienced a lane-keeping performance problem in the DOT study, they lost trust in the automation and retook control. Although the study didn't have the scope to measure the level of lost trust over time, it seems to confirm the adage that trust arrives on foot but leaves on horseback.

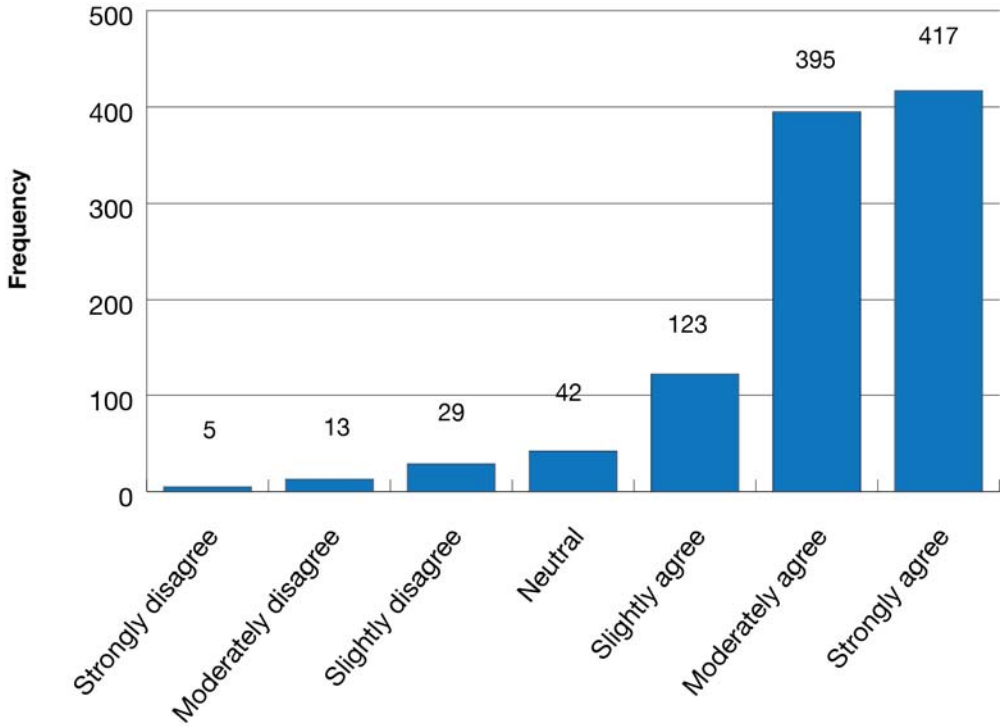
## *Trust and experience*

What made such rapid trust possible? In part the multidimensional, distributed nature of trust. Context can prepare the groundwork for trust by eliminating certain unknowns – for instance, participants assumed that the DOT would not put them in mortal danger. While context laid the groundwork, experience made the difference. As it turns out, AVs are good at concentrating very specific experience in the form of a rapid succession of successful autonomous decisions. In other words, participants were able to analyse first-hand a large sample of data in a short amount of time. While initially apprehensive about the car's ability to manoeuvre correctly, the test subjects came to see that the car made the correct decision time and again, as well as or better than the driver would have done (Blanco, et al., 2015). This is exactly what we do in the process of trust: infer future behaviour or events from limited data.

How we react to machines that act like humans may also explain why test subjects were quick to trust. Research tells us there is a clear theoretical link between the perception of mental capacities in others and assessments of competence, trust and responsibility. As reported in Schroeder and Epley (2016), "An autonomous automobile that interacts with you using a human voice while driving itself seems 'smarter', and therefore, more trustworthy, than a non-interactive vehicle" (Waytz et al., 2014). Prior to experience, even more limited automated features such as self-parking systems fail to inspire driver trust (in surveys) even though the feature has been shown to significantly outperform humans in terms of number of curb strikes, number of manoeuvres, time to park and distance from curb. The "human touch" seems to be an important element in inspiring trust.

Trust can grow by a transfer from the familiar to the less familiar. In the city of Pittsburgh in the United States, Uber is introducing a fleet of self-driving Volvo SUVs, creating something of a hybrid between individually owned AVs and mass transit where citizens are used to relinquishing control. If successful, the strategy could go far in providing riders with the experience required to build up trust that the industry needs. It should effectively extend trials beyond early adopters and super-fans to a broader swath of the population. For months prior to implementation, the AV-equipped Volvos have been cruising around the city with their Uber logos, in part to get citizens used to seeing them.[5] For the time being, a monitor will be in the car, accompanying those who hail it. But as trust grows (and legal frameworks evolve), those monitors may quietly slip away.

Figure 7.3. **Trust in AV technology (Responses to "I can trust the automated system to function properly while I am doing something else")**




*Source*: US Department of Transportation, NHTSA.

## *Linking it all together*

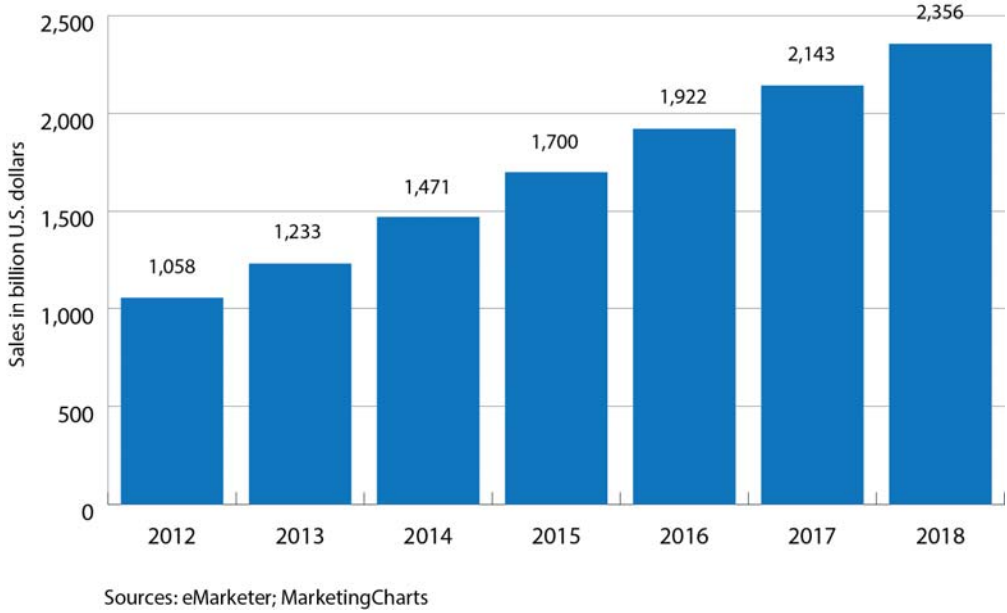
Like most transformative technologies, AV will not arrive in an orderly fashion. Consumer trust will have to transcend issues of confidence in one's own vehicle and focus on interoperability between competing systems. But other levels of trust will also be required. Increased tracking information will make every car easily identifiable on some master grid. My car will need to have information about your car, and potentially every other car out there. Who gets access to these data? What safeguards of individual rights will be in place and what trade-offs will be made between privacy and public safety? Will law enforcement agents be able to pull over cars remotely or guide them to the police station? Will terrorists transform AVs

into self-guided bombs, sending them into densely populated areas? The point is, trust will apply to the entire regulatory, liability, legal, security, social and technological context defining the autonomous vehicle ecosystem.

## How we learned to trust cyberspace – Case Study 2

In the 1980s, the Boston Computer Exchange provided an online marketplace for used computer equipment to the small but growing community of Internet users. It used the nascent bulletin board system (BBS) and functioned as an online exchange. Improvements in connection speeds and security software were required to enable secure purchases over the Internet. The first such purchase took place on 11 August 1994, when New Hampshire start-up NetMarket sold its first CD on line. Despite the high rate of mortality of online commerce websites in those first days, by 1998 NetMarket was handling over USD 1 billion in sales. It was a harbinger of the growth to come in the online retail space. Seventeen years later, in 2015, worldwide retail e-commerce sales were estimated at USD 1.76 trillion (EMarketer), representing 7.4% of the global retail market. According to the same report, e-commerce sales growth is set to outpace bricks-and-mortar sales growth by a more than 3-to-1 margin.[6] Yet, there is reason to believe that the potential of e-commerce has barely been tapped (Maguire, 2011). With online retail sales still just a small portion of total sales, there is still plenty of room for growth – and consumer trust will play a role in making it happen.

Figure 7.4. **B2C e-commerce sales worldwide from 2012 to 2018 (in billion US dollars)**




For many, buying online has become second nature. Online customers have overcome many of their initial hesitations, have experienced first-hand the advantages of e-commerce, and have gone on to make repeat purchases from trusted e-retailers.[7] People have also become fairly savvy at making good vendor choices, thanks in part to a growing number of mechanisms designed to inspire trust such as security logos, recognised trust marks and independent review sites. But barriers still exist. In OECD countries, 75% of consumers access the Internet each day, yet an OECD report found that only one person in two made an online purchase in 2014. Those who did not cited security and privacy concerns as one of the main reasons holding them back.[8] Lack of trust is one of the most frequently cited reasons for consumers not purchasing from Internet vendors. While the United States has experienced rapid growth in e-commerce volumes, other regions, such as Europe, have had to contend with cross-border customs issues, language barriers, currency differences and complex and costly logistics challenges. These elements have an impact on trust and the overall attractiveness of e-commerce for consumers. It can also discourage new entrants by requiring investment in and maintenance of e-commerce platforms adapted to international buyers.

## *Brand trust*

Online businesses must create brand trust. Brand trust is sought after because it is a source of strong and stable revenues for a firm (Morgan and Hunt, 1994). Brand trust is defined as the willingness of the average consumer to rely on the ability of the brand to perform its stated function (Chaudhuri and Holbook, 2001). Brand trust is not an attitude or expectation entering into the relationship with the brand, but arises after direct *experience* of consumers of the brand (Doney and Cannon, 1997). Brand affect is the ability of the brand to elicit a positive emotional response in the average consumer as a result of its use. The literature shows that brand trust and brand affect are determinants of loyalty, which creates highly valuable goodwill and long-term consumer relationships that drive repeat purchase and market share. While brand trust is a cognitive process that is built up over time, brand affect consists of impulsive feelings that can be formed spontaneously. Creating trusting, emotional relationships between consumer and brand justifies large expenditures on design, communication and merchandising strategies**.**

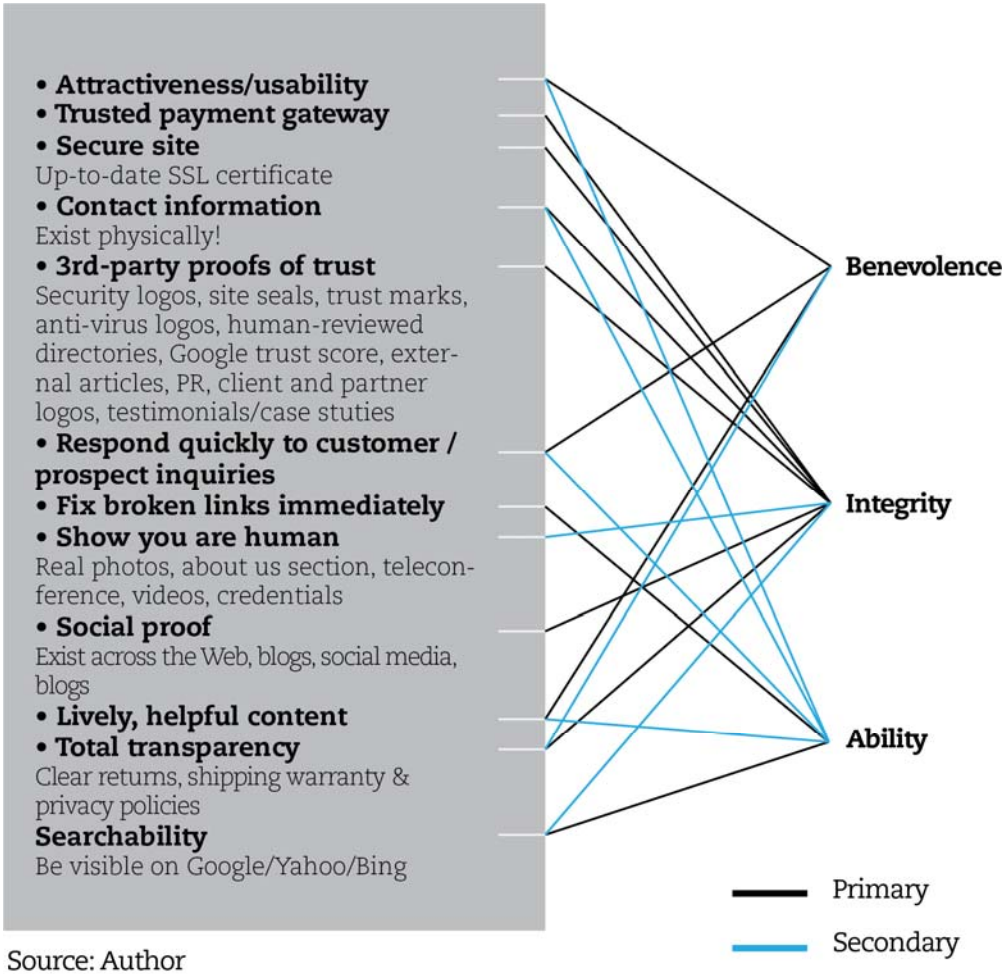
## *Amazon: Prime mover of online trust*

Amazon is consistently ranked among the most trusted brands, not just in the online space but also among all brands.[9] Amazon's first mover status and early dominance has allowed the company to systematically reduce the barriers to online trust, through a careful analysis of the origins of distrust among customers. In a survey of the leading reasons for *not* shopping online, 40% of respondents said they prefer going to shops and seeing the products. By providing a rich visual shopping experience, rapid delivery, and one of the top three most trusted payment systems, Amazon, like other online retailers, has worked hard to reassure potential customers that they are a trustworthy retailer.[10] "No-questions-asked" return policies and a the-customer-is-always-right attitude circumvent one of the most frequent barriers to trust – fear of what will happen if things go wrong. Reflecting on the way that online retailing has evolved, it is clear that many of the features that we take for granted were developed precisely to deal with problems of mistrust.

Overcoming this trust issue can be more difficult for smaller businesses. While SMEs dream of becoming micro multi-nationals, smaller e-retailers are placed in an "earn trust or die" situation, knowing that shoppers are prepared to click over to the competition if their trust is not gained quickly enough. Working only with pixels, how do you establish trust in the 15 seconds or so experts believe e-retailers have to prove themselves? To

investigate, the author undertook an informal review of 15 online articles, each on a theme similar to "The 10 things e-retailers need to do to establish online trust". These articles demonstrated consistency as summarised in Figure 7.5, although the table does not reflect the rank of importance (not all of the articles suggested a formal ranking). These "most essential trust features" in turn map relatively naturally to the interpersonal trust criteria of benevolence, integrity and ability, as elaborated by Meyer et al. (1995) and reflected in the OECD framework for public institutions presented in this report, which emphasises competence and values.

Figure 7.5. **Ideal e-commerce site trust features compiled from 15 experts mapped to Mayer's interpersonal trust criteria**




Source: Author

The answer to the question, how do you establish trust online in 15 seconds seems to be similar to the kinds of things that could be expected of a public institution: show you care, make things easy, be a perfect professional, answer questions promptly and clearly, emphasise how you have helped other people in similar situations, and so on.

## Conclusion

Within the private sector, the notion of trust has been elevated from a desirable but somewhat ill-defined notion to one that is positioned as a clear strategic priority. Indeed, each year the private sector makes substantial investments in programmes designed to secure the trust of customers, investors, the public and government. This is incentivised in part by the monetary value that can often be placed on trust (or the lack of trust).

Today, trust is understood to be indispensable to the success of goods and services in competitive markets and to the overall prosperity of firms. Trust, and the goodwill it creates, plays a central role in facilitating the introduction of new products as well as differentiating products in a crowded market.

Trust has a direct impact on the valuation of intangible assets such as brands, trade names, trademarks, domain names and other intellectual property. In mergers and acquisitions, companies acquire or divest these assets at substantial premiums based, in part, on the trust that they inspire.

In a firm's internal organisation, trust in leadership is considered a substantial competitive advantage, enhancing productivity and innovation. Employee trust and the trust of external stakeholders are essential ingredients of successful change management, from mergers and acquisitions to the realignment of an organisation in the face of market changes.

Firms that enjoy trust are more resilient in the face of crises, from product recalls and financial difficulties to scandals involving staff or leadership.

Theorists separate trust into two broad categories: cognitive (rational) trust and affective (emotional) trust. The private sector tends to use an integrated approach to establishing trust with their different stakeholders. It understands the value of the emotional dimension, for example in building brand loyalty, as well as the rational dimension through the premium placed on such qualities as stability, transparency and quality. There also seems to be a tacit understanding of the intermingling of the rational and emotional dimensions of trust.

The trustworthiness of any organisation is neither given from the start nor acquired once and for all. In the private sector, firms seek to actively establish and maintain bonds of trust with its stakeholders, knowing that trust must be earned and that it is easily lost.

The notion of establishing a trust strategy per se in the public sector may clash with existing attitudes regarding the role of government. But many lessons from the private sector may find application in the challenge of enhancing public sector trust, starting with the very real value affixed to trust. As in the private sector, deliberate trust strategies tailored to specific audiences may help to promote trust, elevating it from an *ex post facto* diagnostic tool to an active ingredient in the design or reorganisation of public institutions.

## Notes

1 www.driverless-future.com/?page_id=384.

2 http://spectrum.ieee.org/cars-that-think/transportation/self-driving/driverless-cars-inspire-both-fear-and-hope.

3 http://spectrum.ieee.org/cars-that-think/transportation/self-driving/driverless-cars-inspire-both-fear-and-hope.

4 https://www.fastcodesign.com/3054330/innovation-by-design/the-secret-ux-issues-that-will-make-or-break autonomous-cars.

5 www.nytimes.com/2016/09/11/technology/no-driver-bring-it-on-how-pittsburgh-became-ubers-testing-ground.html?_r=0.

6 www.emarketer.com/public_media/docs/eMarketer_eTailWest2016_Worldwide_ECommerce_Report.pdf.

7 According to RJMetrics, the typical online store gets 43% of its revenue from repeat customers.

8 www.oecd.org/internet/consumer-protection-laws-need-updating-to-improve-trust-in-e-commerce.htm.

9 For example, RepTrak, a reputation tracking service which measures reputation as a function brand trust, admiration for the brand, and esteem for its offer, has ranked Amazon number one for the past three years (2013-15): https://www.reputationinstitute.com/CMSPages/GetAzureFile.aspx?path=~\media\media\documents\usrt100-2015.pdf&hash=51fbe9bed9059e8f98e9dbc23878448cf931c6438d2a6d49084d9eee7a98c0dd&ext=.pdf.

10 www.bizreport.com/2014/12/study-the-demographics-most-at-ease-with-payment-options.html.

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# *Chapter 8*

# Trust and access to justice

*Chloé Lelièvre (OECD)*

*Justice is an area of public policy that exemplifies the need for a strong trust relationship between public institutions and citizens. This chapter looks at how trustworthiness is grounded in an understanding of users' legal needs and how to respond to them through a continuum of legal assistance and justice services. Integrating legal and justice services with other social services (e.g. health, employment), establishing simple gateways ("one-stop shops") and providing targeted and timely legal assistance services to those facing the most severe problems will maximise social return on investment. Expanding ICT-enabled justice services and processes further helps meet specific needs (e.g. remote communities) and address new policy challenges (e.g. self-representation). Finally, developing transparency and outreach measures (e.g. legal empowerment) will support the development of legal capabilities and improve openness.*

The conclusions of this chapter are under the Secretariat's responsibility and do not in any way imply a mandate from Members to pursue work on this area.

## Introduction: How trust affects policy outcomes in legal and justice services

Trust in legal and justice services matters for trust in government, by providing citizens with recourse mechanisms to protect their rights and access to other public services such as education or health. In turn, access to and satisfaction with these services are important contributors to trust in government more broadly. Moreover, these protection mechanisms create safeguards against possible misbehaviour by different actors in society, and in strengthening integrity make possible trust in fellow citizens, businesses and other public institutions. Trust in the justice system, in theory, reduces transaction costs and accelerates many kinds of economic and social interactions. Many of the issues raised in previous chapters relating to open government, stakeholder engagement and voice, and effective service delivery recur with respect to the provision of justice services.

Yet, understanding the links between trust and justice give rise to empirical, conceptual and institutional challenges for policy makers.

### *Unclear and unreliable evidence from surveys*

Survey respondents tend to amalgamate various justice institutions, concepts or agencies. Citizens may view the justice system as a homogenous entity and make trust judgements directed towards the whole set of justice institutions without differentiating among branches of justice (e.g. criminal justice and civil justice), the entities involved (e.g. public prosecutor, court or prisons) or among the different roles and processes (e.g. investigation and adjudication).

Existing surveys and research on trust and justice are often based on perception and rarely on citizens' experience with legal and justice services. The role of exogenous drivers such as media and the wider historical context of a country are also essential for understanding the relationship between perceived and actual citizens' trust with the justice services.

### *Little known about trust in civil justice*

Literature and empirical research on trust in justice institutions primarily focus on judicial trust and criminal justice. Yet, citizens experience civil legal problems more frequently. It is not certain that what holds true for criminal justice also holds true for the civil branch and entities of the justice system.

### *Trust in ADR mechanisms rarely investigated*

Little evidence exists on the levels of trust in alternative dispute resolution (ADRs) or the implications for the broader justice system, despite increasing use of ADR as a means to resolve legal disputes.

## Legal and justice services and the drivers of trust

According to *Government at a Glance* (OECD, 2015), "direct experience of citizens in justice services affects their satisfaction with these services and more broadly their trust in public institutions". As with other services, improving access to and the responsiveness and quality of justice services will likely lead to greater satisfaction and trust in the institutions that deliver these services. Yet, justice services have their own specificities. In terms of the institutional elements found to have an impact on trust in justice, empirical research points to the following key relationships between justice services and trust:

- *Effectiveness of the justice system* (i.e. whether a justice system achieves its objective of ruling a dispute based on law or enabling law enforcement) is seen as a necessary yet not sufficient generator of trust. It may be identified by such indicators as the national and perceived crime rates and the clearance rate of cases (given that performance-based improvement margins may differ among different branches). The quality of processing in general – absence of delays, annual public budget to legal aid – is seen as having a positive correlation to trust.
- *Reliability of the justice system* is seen as a potential driver of trust, by minimising uncertainty in terms of length of the proceedings, fostering consistency in court decisions, stability of legislation and efficiency of the justice system. With a reliable justice system, citizens have the feeling they can depend on the justice system to provide them with a service.
- *Degree of responsiveness to the needs of citizens* – e.g. responding to local concerns and being open to public suggestions – is also found to be directly correlated to the level of justice trust by encouraging close connection and dialogue with citizens and adapting the judicial system's functioning to local needs.
- *Degree of transparency, outreach and visibility* of the justice system is also seen as a driver of trust, through fostering the transparency,

accessibility and clarity of court decisions and justice procedures for media outreach and an informed and engaged public.

- *Fairness and integrity* contribute greatly to building trust in justice. Procedural justice is concerned with making and implementing decisions according to fair processes. People feel affirmed if the procedures that are adopted treat them with respect and dignity, making it easier to accept outcomes, even those they do not like. Implementation of fair processes, a perceived lack of using office for private gain, due process of law and rights of the accused are indicators that can induce trust. Perception of corruption significantly erodes trust.
- *Access to justice services* is seen as likely to influence trust in the justice system, although further empirical research is needed in this area. Effective access to justice requires legal institutions capable of rendering independent, impartial, binding and enforceable decisions, and is influenced by length of proceedings (existence of fast track or not), the level of legal costs (right to legal aid) and limitations of access to victims (opening to 3rd parties).

Finally, citizens' trust in the justice system depends on multiple factors that reside outside the system: the cultural and economic context in which the justice system is embedded; the influence the media can have on public opinion; social demographics that include ethnicity, education, political affiliation, income, age and gender; cultural or societal differences in trust or distrust; and trust people have in other than the judicial institutions, such as trust in government or a predisposition to trust institutions in general.

## Why trust is important in justice services

*Decrease in unresolved legal problems and enhanced inclusive growth* – Citizens who trust justice institutions will more likely address their legal problem and resort to its protection mechanism to enforce their right to public services. Legal problems appear to have significant impacts on health, employment, housing, relationships and other dimensions of people's lives. While limited, there is increasing evidence that addressing legal problems and accessing justice can contribute to inclusive growth by creating jobs, reducing work days missed due to legal problems, providing stable housing, resolving debt issues, and stimulating business activities.

*Compliance and co-operation with justice institutions* – In countries where citizens report low levels of confidence with police and judges, there may result under-reporting or choosing not to report crime or co-operate, by

giving evidence for instance. Yet, an incomplete evidence base limits the capability of the criminal justice system to effectively prevent and fight crime, and may reduce the effective allocation of resources and inhibit rule of law.

Most OECD countries undertake policy measures to build citizen trust in legal and justice services. Current debates in some countries point to several emerging policy examples for developing citizen-centred approaches to delivering legal and justice services.

## Responsive, reliable, open and fair: Practical steps to trustworthy justice services

### *Improving responsiveness*

*Understanding the determinants of trust in different branches of the justice system* – Citizens engage differently with criminal justice, civil justice, administrative justice, police, etc. Each system bears its own challenges and issues and affects trust levels differently. For instance, in France, public consultation on justice sought to understand citizens' opinion on the role of judges in the areas of civil and criminal justice.

*Understanding citizens' legal needs at the national and sub-national levels* – Implementing effective justice policy starts with a clear understanding of the country's legal needs. Many countries have relied on "legal needs surveys" to identify the legal and justice needs of citizens (especially in civil, family and administrative justice). Such surveys have now been carried out in more than twenty-five advanced and emerging economies, including at least nine OECD member states, as well as a number of developing countries. Other countries, such as Mexico, have used an extensive consultation process to identify the everyday legal needs of citizens across every state.

*Understanding citizens' justice pathways and experience* – Some countries are mapping real experiences of citizens and carrying out regular user satisfaction surveys to better align services with citizens' expectations. In turn, countries are expanding dispute resolution options within and outside courts and tribunals, making courts and tribunals multi-service centres, developing specialised tribunal- and/or community-based triage systems.

### *Improving reliability, openness and integrity*

*Continuum of legal assistance and justice services* – Several countries are shifting away from the more traditional focus on "access to a lawyer and a judge in a court", and toward seeing access to legal and justice as entailing a continuum of services. These include access to understandable legal information, to legal representation, to appropriate non-legal support, as well as support to participate in a range of alternative mechanisms that suit the needs and the capabilities of individuals in a cost-effective way. Examples follow.

*One-stop shops* – To facilitate navigation across multiple justice pathways, some countries are developing simple gateways into the system of legal service – e.g. family justice centres and in France *le service d'accueil unique des justiciables*. Those initiatives help to overcome the fragmentation of legal services and to better meet the legal and justice needs of citizens. In Australia a number of legal hotlines provide legal triage, such as LawAccess NSW and various hotlines operated by Legal Aid and community legal centres (CLCs). These hotlines vary in their scope and services, such as the extent to which they provide direct caller access to a lawyer, comprehensive referral to legal and non-legal services, and follow-up ancillary services (e.g. face to-face advice and written information). In addition, various CLCs provide generalist legal services and to some extent provide a triage service. The Dutch Legal Aid Board (Rechtwijzer website) and the British Columbian online Civil Resolution Tribunal (CRT) are other examples of innovations in this area. In Scotland the development of a single gateway and point of contact for legal complaints (SLCC, the Scottish Legal Complaints Commission) aims to build trust and confidence in legal services.

*Joined-up legal, justice and other social services* – In many OECD countries – such as Australia, Belgium, Germany, Italy, Poland and the Netherlands – joined-up services aim to deal with interdependent clusters of legal and non-legal problems**.** This ties in with findings that low-income or vulnerable groups – e.g. women, the elderly, refugees and indigenous peoples are often dealing with multiple related legal (relationship breakdown, housing, debt and government payments) and associated health, economic and social problems.

In the United States the Legal Aid Interagency Roundtable brings together 18 federal agencies in collaboration with the White House Domestic Policy Council to evaluate current programmes and practices and improve outcomes in a wide array of fields – including health services, housing, education, employment, family stability and community well-

being, and developed a Toolkit. At the state level, the Elder Access to Justice Roundtable brings together diverse representatives of the community to "raise awareness, prevent, identify and address elder abuse, neglect and exploitation by enhancing communication, identifying systemic problems, sponsoring training, and improving access to justice and services". Representatives include members of the "police force, the County Sheriff, the District Attorney and Public Defender's offices, health care and senior providers, legal advocates for seniors, hospitals, community advocates, judges from several judicial systems, the Recorder of Deeds, and members of the Office on Aging, Departments of Health, Veterans Affairs and Coroner's office". Family courts and problem-solving courts in Australia, the United Kingdom, Canada and the United States also provide examples of joined-up legal and human services.

*Targeted, timely and appropriate legal assistance services and approaches* – Targeted services (to those most in need, e.g. women, refugees, migrants and the elderly) aim to ensure limited public funds are first used to assist those facing the most severe problems and least able to otherwise access help, thus maximising social return on investment. Targeted services also require recognition that justice and legal needs are tied to an individual's life circumstances (e.g. problem-solving courts dealing drug and alcohol abuse, domestic abuse). The US Federal Government's Legal Aid Interagency Roundtable and the Elder Access to Justice Roundtable are cases in point. The emphasis on *early intervention* (to prevent problems occurring or escalating) reflects the recognition that legal problems, particularly if left unaddressed, can bring about and exacerbate other legal and non-legal problems (and entrench social disadvantage). This often requires building a robust early resolution services system. The *appropriateness of legal services* calls for tailoring the mode of service delivery, location and level of assistance to reflect client capability. The aim is to support efficiencies by migrating users to the least expensive services that adequately meet their needs. Other examples include the Australian Government's initiatives to target specific disadvantaged groups as well as local efforts to improve access to better targeting, such as civil and family law outreach services to culturally and linguistically diverse communities (Box 8.1), or Homeless Persons Legal Service Clinics.

### *Openness and transparency*

All OECD countries are taking steps to open and make available justice statistics. Twenty-seven OECD countries also participate in the biennial data collection exercise of the European Commission for the Efficiency of Justice. Key judicial indicators cover court organisation and performance,

ADR, gender distribution, and information and communications technology (ICT).

Box 8.1. **Specialised justice services for indigenous communities**

OECD countries with large indigenous communities have implemented different measures to respond to their legal needs, and adopted specialised judicial mechanisms and courts. In Chile, the *Defensoria Penal Publica* ("Public Criminal Advocacy Office") is one of the few organisms in the region providing public legal counselling to indigenous people in their own language. It includes one specialised advocacy office (for Mapuche). In Canada, the Access to Justice Services Agreements (AJAs) are funding arrangements between the federal government and Canada's three territories (Yukon, the Northwest Territories and Nunavut). They are the means by which the government of Canada financially supports the delivery of access to justice services in northern communities, including legal aid (both criminal and civil), Aboriginal courtwork services, and public legal education and information. There are 25 Indian Legal Services offices in the United States (collectively known as the National Association of Indian Legal Services – NAILS) that serve Native Americans both inside and outside Indian country. In New Zealand, the Maori Land Court has jurisdiction to hear matters relating to Maori land, including successions, title improvements, Maori land sales, and the administration of Maori land trusts and Incorporations.

### *Legal empowerment and outreach*

As the need for access to processes for the resolution of legal problems is an integral attribute of modern lives, legal empowerment is about making the protections of the law accessible to ordinary people. Countries' responses to legal needs seem to increasingly recognise the importance of public legal education and prevention aspects – in France *l'accès au droit* – which are increasingly facilitated by the use of technology. Examples of activities may include self-help outlets, such as law clinics, online legal portals or mobile legal apps. In addition, countries are increasingly engaged in outreach activities involving proactive steps to provide some form of legal assistance rather than waiting for service users to come to them (*l'accès à la justice* in France).

### *Maximising the use of technology*

ICT is increasingly seen in OECD countries as a key enabler for meeting legal needs and providing citizen-centred services, by enhancing access to information, facilitating provision of legal and justice services, and enabling

integrated access to services in the justice sector. ICT is often being used to automate current processes (e.g. Information Technology Centre for Korean Courts), making them more efficient and accessible to citizens, creating new pathways to justice (e.g. a portal of mediators in Spain), and providing direct access to justice services. After a slow start compared with other sectors, new tools and applications are now appearing at a rapid rate (e.g. smartphone applications allowing citizens to follow judicial cases or to make an inquiry about a document). A number of emerging technologies are proving most useful – examples include online judicial assistance services (Portalis in France), online dispute resolution (ODR in Europe, the United Kingdom and the United States), social media, cloud computing, the aforementioned smartphones (the Ask a Lawyer app in the United States and the ECC-net: Travel app in Europe), mobile software applications and mobile computing.

## Conclusion[1]

Trust in legal and justice services is a foothold for trust in public services generally, by providing citizens with recourse mechanisms to ensure their access to all other public services, e.g. education and health. By extension, access to and satisfaction with justice services are fundamental contributors to trust in government overall.

While all OECD countries are taking steps to open and make available justice measurements, various empirical, conceptual and institutional challenges remain when it comes to understanding the links between trust and justice. More specifically, there remain large gaps in the literature and empirical research in the areas of trust in civil justice and trust in alternative dispute resolution (ADR) mechanisms.

To respond to these challenges, the current OECD work on legal and justice services focuses on understanding effective access to justice, including citizens' experience and legal needs and how these link to other social determinants. This effort is expected to lay the groundwork for maximising the access, reach and quality of justice services, while empowering communities and generating better trust in public services at large. Additionally, this work will support the OECD Inclusive Growth Initiative and the advancement of the UN Sustainable Development Goals Agenda.

While each country is in the best position to identify and define the appropriate public policies in this field, this work underlines the importance of promoting equal access and the responsiveness and quality of legal and justice services as important levers of trust in justice services. Effective

policies start with understanding users' legal needs and justice pathways, and the ways to respond to these needs through a continuum of legal assistance and justice services. Integrating legal and justice services with other social services (e.g. health, employment), establishing simple gateways ("one-stop shops") and providing targeted and timely legal assistance services to those facing the most severe problems will maximise social return on investment. Expanding ICT-enabled justice services and processes further helps meet specific needs (e.g. remote communities) and address new policy challenges (e.g. self-representation). Finally, developing transparency and outreach measures (e.g. legal empowerment) will support the development of legal capabilities and address the calls for greater openness in the justice sector overall.

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# *Annex A*

## Update on measuring trust

*Santiago Gonzalez (OECD)*

Trust is one of the foundations upon which the legitimacy and sustainability of political systems are built. It is crucial to the implementation of a wide range of policies, and influences people's behavioural responses to such policies. However, despite its acknowledged importance, trust is poorly understood and is not measured consistently across OECD countries.

Currently there are a range of international datasets measuring trust, such as the World Values Survey, Gallup World Poll, Eurobarometer, Latinbarometer and the European Social Survey. These datasets include private opinion surveys but also publicly funded surveys, and many have been in existence for decades (for example Eurobarometer, which began in 1974). While there are limitations to any data based on perception surveys, the major international surveys all find that there has been a general decline in trust in many public and private institutions over the past decade. The correlation coefficient across the principal surveys is consistently above 80%, signalling a very high degree of convergence in results across the surveys despite differing sample sizes, survey methodologies, and so on.

Significant scope exists to improve the understanding of trust measures by systematically combining and comparing the main international datasets measuring trust. The OECD trust dataset[1] is an effort to map existing sources of information from a wide range of different household surveys and compile them into a single repository of information. Such a repository allows performing statistical and econometric analysis in a systematic way, as well as identifying data trends.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Questions about trust in non-official household surveys can be easily divided into two groups: those addressing institutional and social trust. For the purpose of this document, only institutional trust has been considered. Questions on institutional trust are traditionally formulated through a common heading (e.g. *Do you have confidence in your…*) followed by a list of institutions, primarily public (e.g. government, congress, etc.) and less commonly private (e.g. major companies). Table A1.1 presents the institutions considered in each of the surveys included in the OECD trust dataset. The surveys use the words confidence and trust interchangeably; however, for the purpose of the dataset these are treated as equivalent. Not only does the question wording and/or the data collection frequency vary, but the scale associated with each survey also varies. For example, while the GWP Poll has primarily a *yes/no/don't know* scale, others such as the ESS (0-10) and EQLS (1-10) have longer numeric scales. In the case of the WVS questions are usually answered by using a 4-point scale (i.e. *a great deal, quite a lot, not very much and none at all*). For the dataset purposes, different questions have been re-escalated to a yes/no format that allows comparability across surveys.

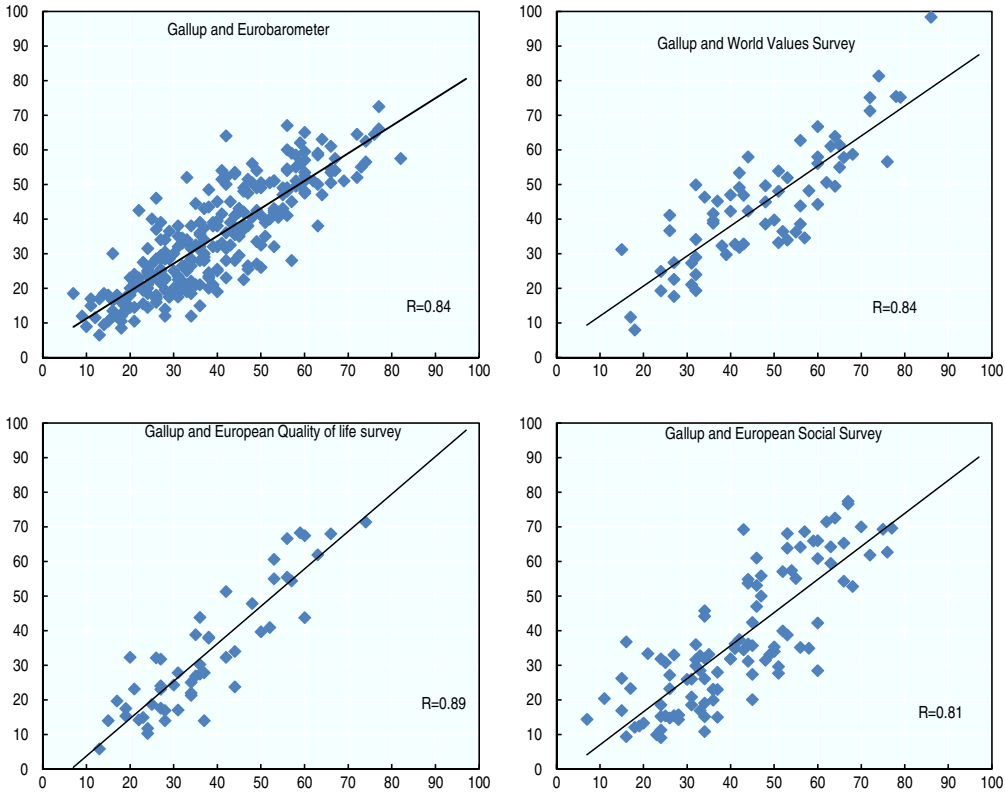
Additionally, questions in the surveys that compose the trust dataset include different wording referring to similar concepts. For instance, some surveys refer simply to "the courts" while others ask about the "judicial system"; while in most cases the relation between these concepts is straightforward, in others it could be subject to discussion. Another example: although most surveys ask about trust in government, the ESS asks about trust in politicians. In turn, the Latinbarometer has simultaneously included questions about trust in government, the state and public administration, concepts traditionally associated with each other but also recognised as having distinct features. The EQLS has formulated a few questions in a more comprehensive way; instead of asking for a particular institution it has broadened the question to a system (e.g. state pension system or social benefit system) that includes a set of institutions.

Table A1.1. **Institutions considered in each of the surveys of the OECD trust dataset**

| Measure | Gallup World Poll | World Values Survey | European Social Survey | European Quality of Life Survey | Eurobarometer | Latinobarometer |
|---|---|---|---|---|---|---|
| Confidence/trust in government | √ | √ | | √ | √ | √ |
| Confidence/trust in financial institutions | √ | | | | | |
| Confidence/trust in judicial system | √ | √ | √ | √ | √ | √ |
| Confidence/trust in military | √ | √ | | | √ | |
| Confidence/trust in the press | | √ | | √ | √ | |
| Confidence/trust in political parties | | √ | | | √ | √ |
| Confidence/trust in regional authorities | | | | | √ | √ |
| Confidence/trust in television | | √ | | √ | √ | |
| Confidence/trust in internet | | | | | √ | |
| Confidence/trust in parliament | | | √ | √ | | √ |
| Confidence/trust in politicians | | | √ | | | |
| Confidence/trust in European parliament | | | √ | | | |
| Confidence/trust in European Union | | √ | √ | | | |
| Confidence/trust in labour unions | | √ | | | | |
| Confidence/trust in the civil service | | √ | | | | |
| Confidence/trust in Major companies | | √ | | | | |
| Confidence/trust in environmental organisations | | √ | | | | |
| Confidence/trust in women's organisations | | √ | | | | |
| Confidence/trust in the state pension system to deliver | | | | √ | | |
| Confidence/trust in social benefit system to deliver | | | | √ | | |
| Confidence/trust in the State | | | | | | √ |
| Confidence/trust in the president | | | | | | √ |
| Confidence/trust in public administration | | | | | | √ |

*Source:* Gonzalez and Smith (forthcoming 2016).

**Figure A1.1. Linear correlation across household surveys in OECD countries asking about trust in government (2002 or earliest year available to 2015)**




*Source:* OECD Trust Database.

Factor analysis is a methodology commonly used for data reduction purposes. In other words, several questions (variables) could be capturing similar phenomena, causing redundancies and difficulties in forming a comprehensive analysis of the issue under study. The idea of the methodology is to retain only factors where the data are signalling a common underlying concept. Based on the World Values Survey and using this methodology, González and Smith (2016) have proved that questions on institutional trust can be reduced to three underlying factors: trust in "governmental" institutions (grouping together the government, political parties, the parliament and the civil service); trust in "judicial institutions" (grouping together the armed forces, the police and the courts); and trust in "independent institutions" (grouping together major companies, banks, universities, environmental organisations and women's organisations).

The OECD is currently preparing Guidelines for measuring trust in government (see further details in the box below) In particular, the guidelines will provide advice to national statistical agencies and other data producers on best practice in collecting information on both interpersonal trust and trust in institutions, including identifying a standard set of measures that could be collected across OECD countries. While the literature on trust is not as developed as for some other statistical concepts, there is considerable scope to build on existing work to resolve some of the key issues relating to validity, scale use, and question wording. In particular, although relatively little of the academic literature focuses specifically on methodological issues, much groundwork has been done that would allow these issues to be dealt with in a reasonably credible manner. The OECD trust dataset is a by-product of the Guidelines on the Measurement of Trust.

Box A1.1. **OECD Guidelines on the Measurement of Trust**

The OECD Statistics Directorate (STD), in co-operation with the Public Governance and Territorial Development Directorate (GOV), is preparing a set of OECD Guidelines on the Measurement of Trust. These Guidelines are modelled on the *OECD* Guidelines on Measuring Subjective Well-being released in March 2013, and aim both to fill gaps in the available statistical data for measuring well-being in OECD countries and to support ["complement"?] the analysis of what drives trust as part of the OECD Trust Strategy. In addition, the Guidelines will provide advice for data users on methodological issues associated with the use of trust data. In particular, it is envisaged that work would include the development of a series of prototype question-modules that could be included in various types of household surveys.

The goals of the Guidelines are to:

- Improve international comparability of trust measures by providing guidance on question wording
- Summarise what is known about the reliability and validity of measures of trust
- Act as a catalyst for further work by national statistical offices (NSOs) and academics
- In the longer run, increase the number of NSOs regularly producing official measures of trust.

The size of the OECD trust dataset and range of the covariates make it possible to systematically test the validity of trust measures in terms of the convergent validity (consistency of results across different surveys and measurement instruments). The set of figures below presents the linear correlation for trust in government between different surveys included in the OECD trust dataset. In all cases the correlation coefficient across surveys is

higher than 0.8, signalling a high degree of convergent validity across different surveys for OECD countries.

In turn, construct validity will indicate the degree to which trust measures correlate in the expected way with other important outcomes. However, given the aggregate nature of trust measures, a gap exists between the aspiration of constructing an actionable measure of trust and the information that current measurements are providing.

# Note

1 The OECD trust dataset was originally constructed as a cross-country panel dataset. Its coverage goes beyond OECD member countries; based on data availability it includes up to 124 countries, spanning between 2002 and 2015 or the latest year available. From the time the European Social Survey (ESS) appeared in 2002 until today, the number of surveys regularly collecting trust data has doubled, allowing for a more comprehensive analysis from that year onwards. Consequently, 2002 is the starting point of the OECD trust dataset.

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