

# Productivity and efficiency measurement in the Netherlands

*A brief overview and case study*

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# Institute for Public Sector Efficiency (IPSE) Studies

Independent research foundation focusing on public sector productivity and efficiency

1. Thematic research programs (2-4 years) financed by the Ministry of the Interior and Kingdom Relations
  - E.g. local governments, quango's (agencies), sectoral analyses
2. “On-demand” research: policy reviews, evaluations
3. Ad-hoc consultations and publications

# Approaches based on national and international experiences

- Productivity measurement: time series, productivity indices (c.f. Carrera and Dunleavy)
  - N=1: executive agencies, sectoral analyses (e.g. primary education)
- Efficiency measurement: benchmarking, stochastic frontier analysis, data envelopment analysis
  - N>1: Local governments, schools, hospitals

# Today

- Brief productivity case study
  - Executive agency with measureable output (quango's)
- Focus on
  - Challenges faced
  - Stakeholder involvement
- Assume standard methods known

# Challenges: incentives

- Limited incentives for productivity measurement
    - Productivity measurement is seldomly met with enthusiasm
    - Core issues:
      - no upside, potentially large downsides
      - Fear of imperfect measures (see next slide)
- **Take out the sting: emphasize learning effects when applicable (outside of formal evaluations)**
- **Stakeholder involvement**
- **Partial ex-ante stakeholder support is desirable**

# Challenges: measurement

- Imperfect measurability inherent to public goods
  - Output/outcome definitions
  - Quality measurement
  - Data availability
  - Drivers of productivity are partially exogenous (e.g. scale economies)
  - Definition confusion/inflation
- **Use easy definitions and be clear upfront about what is (and what not) being measured**
- **Involve stakeholders in choosing measures and interpreting (the drivers of) productivity measures**

# Case study

# Employee Insurance Agency (UWV)



- Costs (2018): € 1.726 mln.
- FTE's (2018): 15.430
- One of the largest quasi-non governmental organisations in the NL
- Research commissioned by the Dutch Ministry of Social Affairs and Employment (“owner” of the agency)
- Productivity analysis 2002 – 2018 as part of a broader policy evaluation

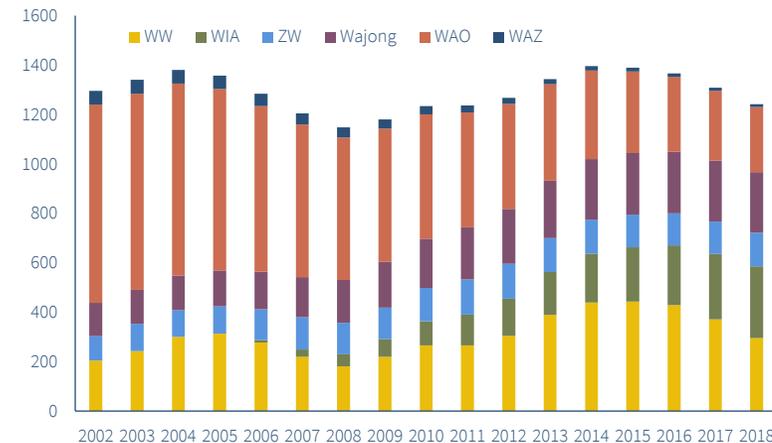
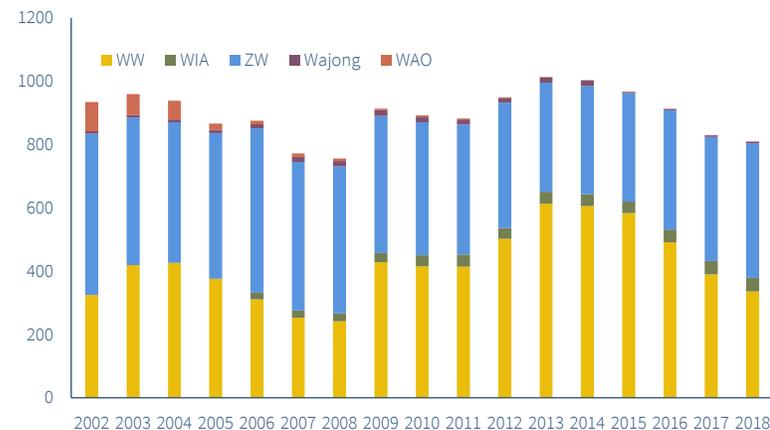
# Process

- 1. Involve stakeholders** (agency under evaluation and policy makers)
  - Ministry invokes an advisory committee
  - Discuss measurements, research design, data
- 2. Conduct** measurement
  - Quantitative analysis
  - Document policy backgrounds (context)
  - Interviews
- 3. Discuss** preliminary findings and policy implications with advisory committee
- 4. Follow-up:** results are sent to the parliament for discussion by the Ministry

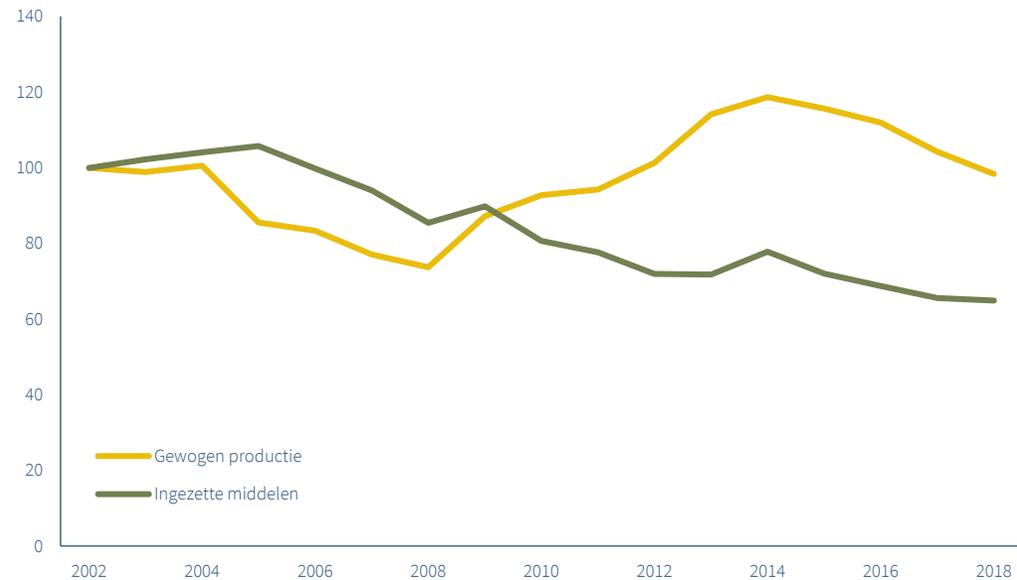
# Outputs used: clients and benefit applications by type

## Take-away:

- Fluctuating output levels reflect business cycles on the labor market
- No clear increase or decrease between 2002 and 2018

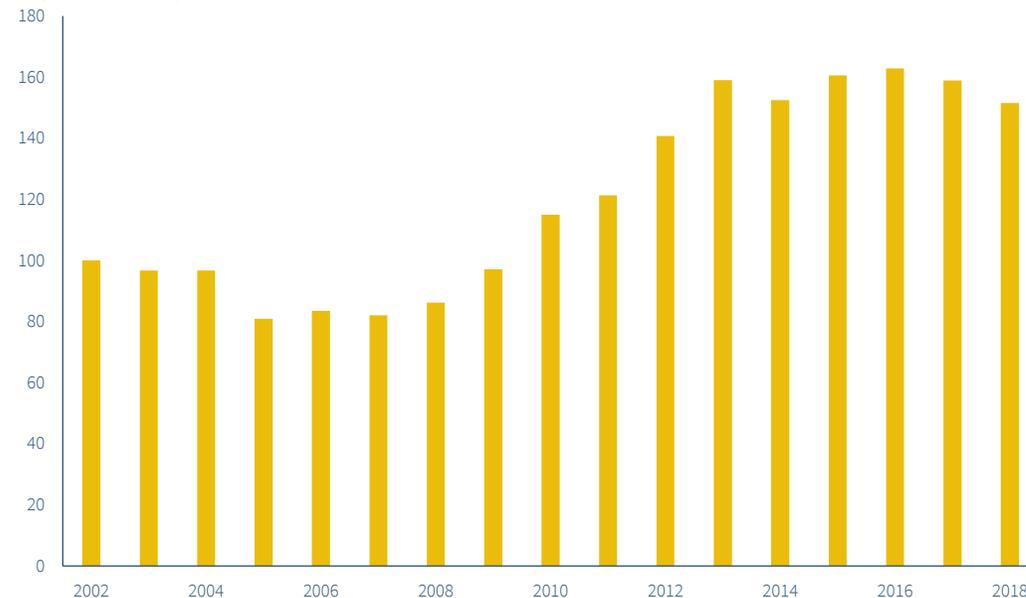


# Input (green line, real costs by type) and weighted output (yellow line)



# Productivity 2002 - 2018

- Productivity – **the inverse of real cost per weighted output (clients/applications) over time** - increased substantially (~50%)
  - Not reflected: quality and outcome/effectiveness



# Relevant (policy) backgrounds

- Consistent budget cuts over the years
- Output financed ( $P*Q$ )  $\rightarrow$  P decreased
- Indications that the 'workload' per client increased as a result of new legislations which are currently not reflected in terms of productivity  $\rightarrow$  underestimation
- Quality measures (not discounted for) suggest quality increased slightly (e.g. customer satisfaction) as well  $\rightarrow$  underestimation
- Qualitative recent research suggests effectiveness and quality has decreased in some aspects  $\rightarrow$  overestimation

# How are the productivity measures used for policy decisions or budgetary decisions? Where does the information feed into?

- Re: case study: feeding into policy discussions on (under)funding of the agency (and other agencies) that are currently taking place
- Long-term goal: improving and encouraging productivity growth of executive agencies
  1. **Measurement:** Implement productivity measurement as a standardized ingredient of agency evaluations (joint efforts with Ministry of the Interior)
  2. **Awareness:** Developing easy-access productivity monitor of quango's (in progress), see <https://trendsinpubliekesector.nl/> for sectoral work
  3. **Benchmarking** as N increases: encourage learning processes between quango's and their owners (ministries)

# Concluding remarks

1. Stakeholder involvement is crucial for effectively feeding productivity and efficiency measurement into policy making → incentivize accountability and productivity growth
2. Use simple, clear definitions that are easy to interpret and resonate with policy makers, be clear on what is measured (and what not)
3. Imperfect measures: context matters

Thank you!

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